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ABSTRACT

This document is a history of Wisconsin's equalization aid formula, embodying all the formula studies conducted since 1947, along with all the actions taken by Wisconsin legislatures and governors since 1927. The introduction provides the constitutional and statutory rationale for state education aid, and lists the committees that have studied the general state aid formula and whose recommendations have influenced state funding. These committees, their findings and recommendations, and consequent legislation are described chronologically in the next seven chapters, entitled as follows: (1) "1947-55: The Commission on Improvement of the Educational System and Chapter 600"; (2) "1955-63: The Wisconsin White House Conference"; (3) "1963-67: The Committee of 25"; (4) "1967-69: Task Force on Local Government Finance and Organization in Wisconsin"; (5) "1969-72: The Governor's Commission on Education"; (6) "1972-76: The Governor's Task Force on Educational Financing and Property Tax Reform"; and (7) "1976-82: The Commission on State-Local Relations and Financing Policy." Chapter 8 summarizes the history of Wisconsin's equalization formulas and the changes in the general state aid formula. Appendix A describes the Tax Increment Law of 1975, and Appendix B provides the text of the Wisconsin Supreme Court Decision, "Buse vs. Smith," declaring negative-aid provisions unconstitutional. (TE)

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A History of Wisconsin's General
STATE AID FORMULA
For Elementary and High School Districts

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EA 017 225

THE HISTORY OF WISCONSIN'S GENERAL STATE AID FORMULA FOR ELEMENTARY AND HIGH SCHOOL DISTRICTS

1984

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FOREWORD

The wealth of information in Alan Kingston's History of Wisconsin's General State Aid Formula for Elementary and High School Districts will be a valued reference for policymakers, administrators and students for years to come. As one who has served in all three capacities, I feel privileged to formally commend and thank Mr. Kingston for sharing his vast knowledge and personal experience in school finance.

Indeed, no individual has been more closely linked to the administration of the school aid formula over a greater period of time in Wisconsin's history than Alan Kingston. In that sense, his compilation is truly a valuable historical document which transmits the evolving philosophy of school financing and the methods by which the state has shared its resources with the local school districts to effect equal educational opportunities for all children.

The release of this important work is especially timely as Governor Earl's Task Force on School Financing deliberates. To make this a living document, this text will be updated as new policy is initiated.

Finally, I would like to extend my personal thanks to Alan Kingston for the dedication and commitment he has given during his public service career toward the goal of equal educational opportunity.

Herbert J Grover

PREFACE

In January 1983, State Superintendent of Public Instruction Herbert J. Grover indicated an interest in having a history of Wisconsin's equalization aid formula written to serve as a reference for future formula studies. This report embodies all the formula studies conducted since 1947 along with all the actions taken by Wisconsin legislatures and chief executives since 1927.

I have taken the liberty of reacting to many of the changes that have occurred in the formula during the past 55 years as well as offering recommendations regarding the factors contained in the formula during this period. These reactions and recommendations are identified by a different type setting than is found in the rest of the report.

I am indebted to two state employees, long associated with the equalization formula, who were able to provide me with valuable information for this report. Bonnie Reese, executive secretary of the Legislative Council, was assigned to the staffs of the Committee of Twenty-five and the Tarr Task Force when they studied the equalization formula. The council was responsible for reporting the actions of the Biennial Aid Adjustment Committees (1949-65) and its own Education Committees (1967-78) to the legislature. She provided copies of these reports along with many valuable suggestions. Corrine Wakeman, Educational Services Assistant, heads the state aids division unit responsible for allocating state funds to local school districts. Her assistance was also extremely valuable. Another state employee who played an important role in preparing this report was Janet Haas. She capably deciphered my scribbling and typed flawless copies, for which I am grateful.

Alan W. Kingston

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INTRODUCTION: RATIONALE FOR STATE EDUCATION AIDS

CONSTITUTIONAL PROVISIONS

The Tenth Amendment to the United States Constitution (1791) provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people." Since the Constitution makes no mention of education, it is the sole province of the states.

Article X, section 3, of the Wisconsin Constitution (1848) states: "The legislature shall provide by law for the establishment of district schools, which shall be nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years; and so sectarian instruction shall be allowed therein." It was amended in April 1972, by adding the following: "but the legislature by law may, for the purpose of religious instruction outside the district schools, authorize the release of students during regular school hours."

STATE EDUCATION FUNDING

Chapter 600, Laws of 1949, created section 40.37 of the Wisconsin Statutes as follows:

> Purpose: It is declared to be the policy of the state that education is a state function and that some relief should be afforded from the local general property tax as a source of public school revenue where such tax is excessive, and that other sources of revenue should contribute a larger percentage of the total funds needed. It is further declared that in order to provide reasonable equality of educational opportunity for all of the children of this state, the state must guarantee that a basic educational opportunity be available to each pupil, but that the state be obligated to contribute to the educational program only if the school district provides a program which meets state standards.

Chapter 90, Laws of 1953, transferred the purpose intact to section 40.66 of the statutes.

Chapter 92, Laws of 1967, combined sections 40.66 and 40.69 of the statutes and transferred it to section 121.01. Chapter 92 was the recodification act that transferred sections 39 and 40 to sections 115 through 121.

Section 40.69 states: "It is the purpose of the state aid formula set forth in this subchapter to cause the state to assume a greater proportion of the costs of public education and to release the general property of some of its tax burden."

THE CALLAHAN LAW

In the 1922-24 biennial report submitted to Governor John G. Blaine in December 1924, State Superintendent of Public Instruction John Callahan recommended that Wisconsin create "a State Equalization Fund so constituted and distributed that each community can furnish with this state aid adequate education facilities for its children without an excessive local school tax rate."

In the early twenties, Wisconsin school districts numbered 7,329, with 6,475 operating one-room, rural schools.

Chapter 130, Laws of 1868, provided for the creation of a State Board of Assessment. The board was charged with annually establishing the full valuation of all property in the State of Wisconsin. **Establishing an annual statewide full or equalized property valuation made it possible to use these valuations as a factor in the Equalization Aid Act of 1927.**

The property tax was the major income source for operating schools. A state equalized property valuation of $5 billion, a statewide average tax base of $10,116 provided for each of the 480,000 students enrolled in our public schools. The cost per student averaged $93.56 in 1923-24; this amount could be produced from the average tax base with a reasonable mill rate of 9.25.

The major problems created by funding school districts through property taxes stem from unevenly distributed school enrollments and property tax bases. In Adams County alone in the early twenties, 30 districts had less than $500 of taxable property per student and 21 districts had more than $10,000. In Chippewa County one district had less than $1,000 of taxable property to support each child's education, while another had more than $100,000.

This same variance existed when measuring the taxable wealth for each elementary teacher unit. This was extremely important in the twenties owing to the large number of elementary school districts. Of 5,558 elementary school districts in 57 counties, 1,476 had less than $175,000 of taxable wealth for each elementary teacher; 3,721 had from $176,000 to $500,000; and 361 had over $500,000. Fifteen districts had more than $1 million and 15 had less than $25,000. **Without some form of state support, many districts were unable, by local tax alone, to support an adequate system of education.**

In his message to the governor, the state superintendent recommended that the state provide a fund large enough to cover approximately 40 percent of elementary education costs. This fund to be apportioned on (1) the number of elementary teachers, (2) in some just ratio to the real wealth behind each elementary teacher employed, and (3) on the condition that a fair amount be raised and distributed to school districts by counties. The recommendation called for a real valuation of at least $175,000 per elementary school room unit and a state and county apportionment to school districts of $250 per elementary teacher unit.

Chapter 536, Laws of Wisconsin, published August 15, 1927, became section 20.245 of the Wisconsin Statutes. It provided for a state aid distribution to Wisconsin's elementary school districts; John Callahan advocated its adoption in the biennial reports submitted to Governor Blaine in 1924 and 1926. It was variously called the Wisconsin Equalization Law and the Callahan State Support Program.

In the biennial report submitted to Governor Fred R. Zimmerman in December 1928, Callahan characterized the equalization act as an outstanding educational enactment by the legislature with far-reaching implications for improving elementary school conditions in many parts of the state. The legislature decided that to be effective, reasonable equalization would have to be used (1) the number of elementary teachers employed by the district and (2) its taxable wealth.

The state's entire property tax base provided an average of $280,000 for each elementary teacher employed. The act provided for a guaranteed tax base of $250,000 for each elementary teacher and increased the 0.7 mill tax which had been distributed for some years on a per capita basis with the common school fund income to 1.1 mills and created the "public school fund." The 1.1 mill tax provided over $6 million in revenue. The common school fund continued to be apportioned on the basis of school populations; the public school fund was distributed under two separate programs.

Section 20.245(4)(b)(1) provided for a payment of $250 for each elementary teacher employed in a school district or city for support and maintenance of the public schools.

Section 20.245(4)(b)(2) apportioned funds not to exceed $600 per elementary teacher to each school district based on an equalization formula. If the quotient derived by dividing the full valuation of the school district by number of elementary teachers was less than $250,000 per teacher, the state multiplied the difference between the quotient and the base by the district school tax rate (not to exceed 4.0 mills). Multiplying the figure by the number of elementary teachers in the district resulted in the sum apportioned to the district. If the school district has a tax base per elementary teacher greater than $250,000, the school district was limited to a flat payment of $250.

Adams Elementary School District

Equalized valuation of district - $600,000
School district mill rate - 3.5 mills
Number of elementary teachers - 4

4 x $250,000 = $1,000,000 guaranteed valuation -
$1,000,000 - $600,000 = $400,000 net guaranteed valuation -
$400,000 x .0035 = $1,400 equalization aid -

From the equalization law enactment in 1927 until its major revision in 1949, state aids to elementary or common school districts consisted of (1) a flat grant based on a specified amount per elementary teacher and (2) equalized aids based on supplementing the tax base behind each teacher, if the equalized valuation was less than the state-established base valuation.

STATE EDUCATION SUPPORT COMMITTEES

The History of the general state aid formula includes a separate report on each committee that has made a special study of the general state aid formula and whose recommendations have had an impact upon state funding. They include the following:

1. The Commission on Improvement of the Educational System was created in Chapter 573, Laws of 1947 to study the educational system of the State of Wisconsin and make recommendations to the legislature regarding the state's role in future funding of elementary and secondary schools.

2. The Biennial Aids Adjustment Committee was created by Chapter 600, Laws of 1949. Meeting in even-numbered years (1950-64), the committee was established to consider the advisability of adjusting the guaranteed valuation in general aid formula for local school districts up or down in relation to property valuations or school costs.

3. The Wisconsin Conference on Education issued the Wisconsin Citizens' Report on Education (also known as the Wisconsin White House Conference Report on Education) in 1955, recommending that state revenues for public schools be increased from 19.3 percent of the total cost to 35-40 percent under a well-conceived equalization program.

4. The Committee of Twenty-Five (also called the Gold Ribbon Committee), created by Joint Resolution 72A in 1963, submitted its recommendations regarding the Wisconsin equalization program to the legislature in 1965. The committee reommended continuing the present method of distributing state school aid to local school districts with provision for equalization, program, and reorganization incentives.

5. The Legislative Council's Education Committee (1966-78) was created by Chapter 659, Laws of 1965 to take on the role of the Biennial Aids Adjustment Committee.

6. The Task Force on Local Government Finance and Organization (also known as the Tarr Task Force) was created by Chapter 22, Laws of 1967, to study the state's financial and administrative relationships with education. The committee recommended that a mill rate index be used to determine the guaranteed valuation of the general aid formula.

7. The Governor's Commission on Education (also called the Kellett Commission) promulgated by executive order, recommended increasing state support from 30 percent to 40 percent and using income as a basis for determining school district wealth in the general state aid formula.

8. The Governor's Task Force on Educational Finance and Property Tax Reform (also known as the Doyle Task Force) was established by Executive Order Number 29 by Governor Patrick J. Lucey. The task force recommendations had greater impact upon the general equalization aid formula than any commission since the creation of the formula in 1947.

9. The Commission on State-Local Relations and Financing Policy (also known as the Wallace Committee) established October 17, 1975, by executive order of Governor Patrick Lucey, was responsible for recommending to the governor and legislature changes and innovations necessary to improve the state-local partnership in Wisconsin, to maintain the quality of public revenue, and to make Wisconsin's system of government financing more equitable and efficient. The commission recommended that the present full-equalization concept in the general aid formula be retained and that state funding at 50 percent of the shared cost be provided.

CHAPTER 1

1947-55: THE COMMISSION ON IMPROVEMENT OF THE EDUCATIONAL SYSTEM AND CHAPTER 600

Chapter 573, Laws of 1947, created the Commission on Improvement of the Educational System, consisting of five lay members appointed by the Governor, two senators, and two representatives, none of whom were to be "active professional educators or engaged in the administration of education." The following were committee members:

Senator Foster B. Porter, Chairperson (Rep.-Bloomington)
Dr. N. E. Masterson, Vice-Chairman (Stevens Point)
Senator Melvin R. Laird, Jr. (Rep.-Marshfield)
Representative W. W. Clark (Rep.-Vesper)
Assemblyman Alex L. Nicol (Rep.-Sparta)
Margaret Conway (Milwaukee)
Earl M. Hale (Eau Claire)
Ruth Jeffries (Janesville)
Milo K. Swanton (Madison)

The commission investigated and studied all phases of the problem of public education in Wisconsin. It recommended legislation for bettering public education, for modernizing and more efficiently operating the educational system, and for education financing in the public interest.

In Chapter 13 of Part One of the Commission's report, submitted to Governor Oscar Rennebohm in November 1948, recommended the following principles as guides for developing financial programs for Wisconsin public elementary and secondary schools:

-- countywide equalization of local taxes for school purposes;
-- some relief from excessive local general property taxes as a revenue source for school purposes;
-- elimination of elementary school county aids that came from the general property tax;
-- state-level contributions as a greater portion of public school revenue;
-- a provision that public school revenues derived from the state be included in the general budget;
-- some state contribution for all efficiently operated public school districts;
-- all state aids to elementary and secondary education as part of a single, simple aid program;
-- state aids for public education to provide an incentive for developing increasingly good programs;
-- state contributions to districts making an effort to improve educational offerings; and
-- funds not be drained from districts making efforts to improve their educational offerings in order to provide aids to districts satisfied with absolute minimums.

In Chapter 6 of the second report, filed in January 1949, the commission identified the principles it felt important in establishing a state aid program for elementary and secondary schools.

The commission believes the state ought to make a substantial contribution to its education program, inasmuch as education is considered a state function.

Ideally, the state should pay about 40 percent of the cost of education.

The Commission feels that some relief should be provided from the local general property tax as a source of school revenue, where it is excessive, and that other sources of revenue should contribute a larger percentage of the total funds.

It is felt that generally a source of revenue more nearly in conformity with the principle of ability to pay ought to be incorporated in the aid law as a basic element in our school revenue system.

The Commission is of the opinion that the state should stimulate improved educational opportunity and desirable practices by providing increased state aids to those districts which expand programs and improve their organization.

Because the Commission believes that substantial improvement in education in Wisconsin cannot be achieved without changes in organization and program, the Commission feels that it is imperative that school aids be increased only as improvements in organization and programs are made. The commission strongly opposes any proposal to increase aids without an accompanying improvement in organization and program.

The Commission feels that it is imperative that the state contribution be adjusted periodically to meet fluctuating economic conditions.

As far as practical, the state's contribution to education should be provided for a single aid program. It is not considered practical at this time to provide aids for the handicapped, for transportation or buildings in the general aid programs, but it is felt that when a stable aid program has been developed, a plan should be evolved to accomplish this objective of an integrated aid program.

The commission feels that the concept of a county-wide tax as part of the aid program should be retained as a device for equalizing the proportion of the property tax levy.

Such tax assures that all of the property in the county assumes some responsibility for supporting education.

STATE CONTRIBUTION LEVELS TO SCHOOL DISTRICTS

The commission felt state contributions to local school districts should vary with the program's nature and the school district's organization. It suggested three state contribution levels: basic district, integrated district and Class A district. The basic district was required to comply with certain basic requirements to be eligible for any state aid. The integrated district had already started improving its organization and broadening educational opportunities. The Class A district was considered a top-level district, providing a good program in a well-organized fashion.

The commission recommended a flat aid payment per student in average daily attendance (ada) for all school districts qualifying for basic, integrated, and Class A classifications. In addition to the flat aid payments, school districts with low property valuation would be eligible for equalization aids.

District Level	Student Status	Flat Dollars Aid Payments (ada)	Equalization Aids
Basic	elementary	25/residents	flat aid/ada for first 10 students/teacher; 10 more students/teacher- a graduated flat aid/ student based on equalization valuation
	high school	30/resident and non-resident	None
Integrated	elementary and high school	35/residents	for districts with less than $16,000 full value student; state to match mill rate up to 10 mills on difference between actual equalized valuation/student and $16,000 based on up to 25 students/teacher
Class A	elementary and high school	40/residents	for districts with less than $20,000 full value/ student; state to match up to mill rate up to 10 mills on difference between actual equalized valuation/student and $20,000 based on up to 25 students/teachers

Part 4 of the report submitted to Governor Rennebohm on March 15, 1949, was entitled "Basic Information Regarding Elementary and Secondary Schools in Wisconsin in 1946-47." Portions of that report follow:

How many school districts are there in Wisconsin?

There are:	6,391	school districts in Wisconsin
	1,187	suspended districts (districts without schools)
	4,331	one-room schools located in 4,107 school districts
	614	graded schools (either 1-8, 1-10, or 1-12)
	82	union high schools (9-12)
	151	K-12 or 1-12 districts

Where do Wisconsin youngsters go to school?

Enrollments during 1946-47 in the state was 487,288.

86,460	students (17.7%) attended rural schools.
51,833	students (10.6%) attended state graded.
39,074	students (8.0%) attended village grades.
161,947	students (33.2%) attended city grades.
43,872	students (9.0% attended village high schools.
100,422	students (20.6%) attended city high schools.
2,840	students (0.8%) attending handicapped schools.

How many pupils are actually in school daily in public elementary and secondary schools?

Out of every ten students enrolled in public elementary and secondary schools, one student is absent each day over the last twenty years.

The average student misses one day every two weeks.

Educational costs by and large continue as long as the school convenes. It is, therefore, imperative that students be in school if we are to use the facilities effectively and get the public's dollar's worth.

In 1946-47, the rural school had an attendance average of 91.1%, state graded 90.5%, village elementary schools 91.7%, village high school 91.9%, and cities 89.2%.

Several factors have an effect upon school attendance

1. Weakness of our truancy administration.
2. Haphazard nature of the transportation system.
3. Lack of interest on part of pupils in the school program.
4. Lack of interest in children's welfare shown by parents.

(This portion of the committee findings prompted it to place the average daily attendance as a basis for the payment of state aid in the equalization formula. The average daily attendance during 1946-47 was 439,211 students compared with a total attendance of 487,288).

Funding of Our Public Elementary and Secondary Schools

Equalized property valuation of state in (1945)	$	5,328,909,000.00
Total cost of elementary and secondary schools (1946-67)	$	77,311,414.00
Levy rate needed to fund total school costs (in mills)		14.5
Student average daily attendance (ada) of state		439,211
Total cost/student ($77,311,414 ÷ 439,211)	$	176.02
Operational cost of elementary and secondary schools	$	70,968,410.00
Operational cost/student ($70,968,410 ÷ 439,211)	$	161.58
Equalized valuation	$	12,133.00
Operational levy rate (in mills)		13.32

To totally fund education in 1946-47 from the 1945 property tax base on a statewide basis required a levy rate of 14.5 mills. **This was excessive for many districts at that time. If the property valuation was evenly distributed throughout the school districts and the cost of education was the same for all, it would have been acceptable. However, with over 5,000 one-room school districts in the state and an average cost of $2,367 per teacher unit, the relative ability to support education varied in direct proportion to the district's property valuation.** Note the following:

Total Districts	Property Valuation	Levy Rate
under 100,000	28	23.8
100,000 - 149,999	221	15.8
150,000 - 199,999	753	11.9
200,000 - 249,999	954	9.5
——	——	——
700,000 - 799,999	74	3.4
800,000 - 899,999	32	3.0
900,000 - 999,999	27	2.6
over 1,000,000	88	2.4

CHAPTER 600, LAWS OF 1949

Chapter 600, Laws of 1949, was published August 5, 1949. It made a major funding commitment to elementary and secondary school districts in Wisconsin and established the purpose for providing a greater level of state support for public schools under section **40.37 as amended by Chapter 600.**

Underlying Concepts

The underlying concepts of Wisconsin's new state support program embodied many of the 1947 commission's recommendations regarding the funding of public schools.

1. Education is a State Function

The 1949 legislature recognized the important concept of education as a state function.

> "Education is a state function and as such the state has a direct responsibility in contributing financially to the support of all administrative units in districts offering a satisfactory educational program and exerting a minimum local effort to finance an adequate program."

The legislature established a state aid formula which guaranteed a tax base per pupil rather than per elementary teacher unit. This change caused the state to place all resident students - elementary and high school - in the equalization formula and increase the role the state would play in funding public schools.

Chapter 600 also established the Biennial Aids Adjustment Committee under section 40.374 of the state statutes. In even-numbered years, this committee was required to consider the advisability of adjusting the guaranteed valuation in the state aid formula up down relative to changes in property valuations and school costs report its findings to the governor and the legislature, recommend action tc keep the state's role in funding public schools commensurate with the needs of public school districts.

2. Equality of Educational Opportunity

> Equality of educational opportunity, while never a complete reality or achievement, should be recognized in the formulation of any state support program. Wisconsin, through the equalization principle, places a guaranteed valuation back of each resident child in average daily attendance. In districts with low valuations, the state attempts to equalize educational opportunity by providing an adequate per-pupil valuation base. If the district has insufficient equalized property valuation, the state makes up the difference and thus assures an adequate base. The degree to which the state assumes the responsibility of equalizing educational opportunity can be measured to some extent by the proportionate shares of the equalized valuation assumed by the local district and state units of government.

Local school support is derived basically from the property valuation located in local school districts. The legislature recognized in both 1929 and 1949 that school districts with an adequate local per-pupil valuation can provide sufficient dollars for education at a reasonable rate. However, property valuations and children are not distributed equally throughout the state, and valuations vary significantly throughout school districts. In light of this inequity, the local property valuation had to be supplemented by an additional tax base.

Wisconsin's equalization aid program supplements the tax base in low valuation districts by placing a guaranteed valuation back of each resident child (rather than per elmentary teacher unit) in an attempt to equalize educational opportunities for all of the students in the state. This guaranteed valuation per resident student can be used in a statewide formula because the state equalizes all properties at full value annually.

One might question the relationship between the funding of the public schools and the equalizing of educational opportunities. Most people will agree that without adequate funding, educational opportunities will be limited to a greater extent than with adequate funding. However, the use of the same guarantee for all students in twelve grade districts does not offer the opportunity to equalize educational opportunities to the extent possible when one weights the student guaranteed based on program offerings. It has been stated frequently that the general aid formula does a better job of equalizing property tax rates than it does with funding educational opportunities.

3. Local Ability and Effort

> The property tax load can become excessive, and the state support program attempts to keep tax limits within certain limitations. While it may be difficult to determine the point at which a property tax load becomes excessive, the state support law has accepted a required operating levy for current operation of 15, 20, 25 mills in certain types of districts to be excessive. When maximum limits for current operation are reached, the state support program assumes any excess current operation costs.

Section 40.37, while recognizing education as a state function, also demanded that school districts meet state education standards to receive aid. The statute states, "It is hereby declared to be the policy of this state that education is a state function and that some relief should be provided from local general property tax as a source of school revenue where it is excessive, and that other sources of revenue should contribute a larger percentage of the total funds need; that in order to provide reasonable equality of educational opportunity for all the children of the state, the state must guarantee that a basic educational opportunity be available to each student, but that the state should be obligated to contribute to the educational program only if the district provides a program which meets state standards."

Chapter 600 amended section 40.04(6) of the state statutes. Prior to Chapter 600, it limited the tax for common school district operation to 20 mills; if the district operated a high school, the limit was set at 25 mills. It now limited the tax to operate an integrated school district to 15 mills on the previous year's equalized valuation. An integrated school district is one that operates grades K or 1-12 and, meets the requirements contained in section 40.371(2) of the statutes.

These two statutory commitments limited the operational rate for integrated K-12 or 1-12 grade districts to 15 mills and commited the state to paying the cost that districts incurred in excess of the revenue obtained from a 15-mill levy on the previous year's equalized valuation. This payment was know as excess aids. The 1947 commission recognized the need for an expanded building program as school district reorganization took place in the late forties and early fifties. It recommended that the state make a contribution for school building construction in order to maintain programs that would provide adequate education for Wisconsin youth.

However, Part 2 of the commission's report stated that it was not practical at the time to provide building funds in the general aid program; it recommended that plans be made to provide aid for buildings in the general aid formula when a stable program was developed.

Chapter 600 amended 40.04(6) by adding language that placed a limit of 15 mills on newly created, integrated, 12-grade districts and stated that the school operations tax was exclusive of debt service. The legislature did not include capital outlay or debt service in the costs to be shared in the general aid formula. The language in section 40.04(6) of the statutes limited "the tax for the operation of the school." Operational costs are considered current expenditures. While these expenditures are consumed in the budget period, capital outlay and debt services are encumbered for a period greater than one year.

4. Educational Quality

The quality of educational programs is a basic concern in determining the amount of state support paid to local school districts. In order to provide an incentive for districts to enrich and improve educational opportunities for children, the state's financial effort is greater in districts providing an integrated program than in districts offering a basic level program. The application of this concept of quality education is carried out in flat aid districts as well as districts qualifying for equalization aid.

The 1947 commission recommended three levels of state support - the basic, integrated, and Class A levels (see Chapter 1).

In Chapter 600, the legislature defined the first two levels (section 40.371) for the purpose of computing state aids.

(1) Basic District. A basic district shall meet the following requirements:

  (a) All teachers, including supervisory and administrative personnel, must possess certificates, licenses or permits, as established by the state superintendent of public instruction, to teach the subjects or grades they are to teach before they enter on duty in such positions.

  (b) Teaching personnel must be paid at least the minimum salaries and must be granted sick leave provided in section 40.374(7).

  (c) Schools must be held at least 180 days per year, the days to be computed as provided in Section 40.19.

  (d) It must comply with the provisions of section 40.05(2). The annual meeting of a one room school house with an average daily attendance of more than 50 students shall provide for an additional room and an additional teacher. 40.19(4) schools recognize birthdates of Abraham Lincoln and George Washington. 40.19(4a) recognize Armistice Day. 40.19(4m) pupils be taught proper reverance and respect for the history and meaning of the American flag, Declaration of Independence, the U.S. Constitution, as well as the duties and responsibilities of citizenship. 40.22(1) to (11) curriculum to be included in course of study, etc. 42.41 deductions from salary for teacher retirement. 42.43 employers duties to teacher retirement fund.

(2) Integrated District. An integrated district shall meet the following requirements:

(a) All of the requirements established in subsections (1).

(b) It must be organized as a common school district or a city system.

(c) It must operate grades one through 12 or kindergarten through 12 in any acceptable combination.

(d) It must have sufficient students, proper teacher-pupil ratio to be able to provide a modern enriched educational program as determined from time to time by the state department of public instruction.

(e) In addition to the minimum professional qualifications required by subsection (1)(a), it must furnish satisfactory evidence to the state department of public instruction of continuous in-service improvement of its professional staff, such as summer session attendance, participation in workshops, extension classes and similar activities.

(f) It must make adequate provisions for healthful, safe school facilities in accordance with standard established by the state department of public instruction.

(g) It must provide a modern enriched educational program as approved by the state department of public instruction which, except for such modifications as the state department of public instruction shall approve, in addition to the proper academic subjects, shall include.

1. Training in the elementary schools, by a qualified teacher at regular intervals, in health and physical education and in at least 2 of the following fields: music (including vocal) kindergarten, arts and applied arts.

2. More than 5 teachers in high school and at least 2 subjects in the field of home economics, industrial arts, commercial work and agriculture; and at least one subject from the general field of physical education for both boys and girls; and music (including vocal) and art, taught by teachers who teach in no more than one other field.

3. At least 2 of the following auxiliary services: hot lunch program, periodic dental inspection, periodic medical examination, school nurse service, at least one-quarter of the time of one teacher devoted to guidance and counseling, provision for at least one type of mentally or physically handicapped children, available audio-visual aids and library facilities.

5. **Organizational Pattern**

The state support program originally included in its philosophy an incentive feature clearly related to the organization of the school program. This concept resulted in greater state support to districts providing an integrated-level program organized on a K-12 or 1-12 grade pattern.

STATE SUPPORT BASED ON SCHOOL ORGANIZATION (in dollars)

Level	Guaranteed Valuation Per Resident Student	Flat Aid Per Resident Student Elem.	Flat Aid Per Resident Student H.S.	Flat Aid Per Nonresident Student Elem.	Flat Aid Per Nonresident Student H.S.
Basic:					
1-8	15,000	25			
K-12/1-12	15,000	25	30		
9-12	40,000*		30		30
Integrated:					
1-8	17,000				
K-12/1-12	17,000	30	35	30	35
9-12	40,000		35		35

*with approval of state support; without approval - $30/student.

Chapter 600 established a state support program on a per-student basis rather than an elementary teacher unit basis, which had called for payments to school districts for all students. The program guaranteed that districts would be able to provide basic educational programs. Districts with an adequate property tax base received a token payment (flat aid); districts with a property tax base below the guarantee received equalization aid.

Equalization Aid Formula

Equalization aid is determined by a formula designed to establish the financial needs of each school district. The factors included in the formula are not complicated; however, an explanation of each factor is important in understanding how the formula functions.

Computing Factors in the Equalization Aid Formula

The following four factors are basic in determining the equalization aid for a school district.

Guaranteed valuation: tax base set by the legislature as the minimum required for adequate support of a pupil's education.

Equalized valuation: full or equalized valuation of a school district as established by the Department of Revenue.

Resident average daily attendance (ada): the aggregate days of attendance by pupils listed on the official school district rolls divided by the number of days school was actually in session.

Net cost operation: current operational expenditures less operational receipts.

Other terms associated with the equalization formula include:

Required levy rate: the millage used to determine the sharing level of operational expenditures by the state and local school district. It is determined by dividing the net cost of operation by the guaranteed valuation.

Current operational expenditures: expenditures consumed in a 12-month budget period (capital outlay, debt services, and community services not included).

Operational receipts: receipts received to meet current expenditures except for those provided by the general state aid formula and local levies.

Capital outlay: an expenditure that results in the acquisition or addition of fixed assets.

Debt service: expenditures for the retirement of principal and interest on long-term indebtedness.

Community services: adult education programs.

By dividing the guaranteed valuation, equalized valuation, and net cost of operation by the resident ada, one can place the factors on a per-pupil basis.

Applying the Equalization Aid Formula

Using a percent method of computing equalization aid on a per-pupil basis illustrates how simply the formula actually works.

$$\text{General state aid} = \text{Net cost of operation} \times \frac{\overset{\text{Net guaranteed valuation}}{(\text{guaranteed valuation} - \text{equalized valuation})}}{\text{Guaranteed valuation}}$$

Sample district:

Sample district:	Net cost of operation/ada =	\$ 300
	Guaranteed valuation/ada =	\$ 18,000
	Equalized valuation/ada =	\$ 9,000

$$\text{General state aid} = \$300 \times \frac{\$18,000 - \$9,000}{\$18,000} = \$300 \times \frac{\$9,000}{\$18,000} = \$300 \times .50 = \$150$$

The same computation can be performed in a slightly different fashion.

$$\text{General state aid} = \text{Net guaranteed valuation} \times \frac{\text{Net cost of operation}}{\text{Guaranteed valuation}}$$

Using the same sample,

$$\text{General state aid} = \$9,000 \times \frac{\$300}{\$18,000} = \$9,000 \times .01667 = \$150$$

In this computation, the figure of .01667 is called the required levy rate.

The partnership established by the legislature with local school districts in Chapter 600 can be simply illustrated by comparing the equalized valuation in the local district with the guaranteed valuation established by the legislature.

With the guaranteed valuation of \$18,000 used in the formula, a district with an equalized valuation of \$9,000 has 50 percent of the guarantee.

	Total (in dollars)	Total (as percent of)
Guaranteed valuation/ada	18,000	100
Equalized valuation/ada	9,000	50
Net guaranteed valuation/ada	9,000	50
Net cost of operation/ada	300	100
Local district aid/ada	150	50
State aid/ada	150	50

The partnership between the state and its local school districts developed with the understanding that the latter were to acquire sites, buildings, and equipment exclusively from local funds. The state agreed to participate in the funding of operational costs up to 9 mills.

All school districts meeting the basic and integrated aid requirements received flat aids/ada. School districts receiving equalization aid received flat aids plus that portion of equalization aid in excess of the flat aid payments. For example,

Elementary students - $35 flat aid + $115 equalization aid

High school students - $44 flat aid + $106 equalization aid

School districts that exceeded the 9-mill levy rate had to bear the cost of any expenditure in excess of nine mills.

1949-1950

Factors involved in the general state aid formula in 1949-50:

Districts Not Reorganized

Average Daily Attendance for 1948-49	Prior Year
School District Budget for 1949-50	Current year
Equalized Valuation for 1948	Prior Year

Reorganized Districts

Average Attendance for 1st Semester of 1949-50	Current Year
School District Budget for 1949-50	Current Year
Equalized Valuation for 1949-50	Current Year

All school districts were paid state aids based on estimated budget for 1949-50 and were adjusted on actual figures from the annual reports at the end of the fiscal year.

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$17,000/ada	$30 - $35
Basic	-	12	grade districts	$15,000/ada	$25 - $30
Basic	-	8	grade districts	$15,000/ada	$25
UHS	-	9-12	grade districts	$40,000/ada	$30

State matched up to 9 mills in all districts except UHS.
State matched up to 5 mills in all UHS districts.

Excess state aid paid by the state was for amounts in excess of 15 mills for integrated K-12 and UHS; over 20 mills for basic-8, and over 25 mills for basic-12 grade district. No records available on the amount of excess aid paid in 1949-50.

Statistical Data

Number of school districts.

Basic elementary school districts	* 4,164
Basic twelve grade school districts	44
Union High School districts	69
Integrated K-12 or 1-12 grade districts	312
Total	4,589

*no records available on the number of school districts suspended in 1949-50.

Enrollments in public schools.

Rural	81,106
Graded	60,705
Elementary	209,646
High School	145,268
Handicapped	2,604
Total	499,329

Information taken from biennial report.

Average Daily Attendance	$ 451,896
Local cost of current operation and transportation	$ 100,489,029
General state aid	$ 17,535,005
Aids paid local school districts in June of 1950	

Percent of cost paid by state - 17.4

Median levy rates.

Basic elementary districts	7.5 mills
Basic 12 grade district	17.8 mills
UHS	7.0 mills
Integrated K-12 or 1-12	12.9 mills

*no records available on the average daily attendance used for the payment of state aid.

1950-51

Chapter 600 was published on August 5, 1949, the latter part of the 1949 legislative session. No further legislative action took place regarding the general state aid formula in that session.

During this period in our history, the legislators convened in January of the odd-numbered years and usually completed the legislative session in the later part of the year.

Committees, like the Biennial Aids Adjustment Committee, which met in 1950 and made recommendations to the 1951 legislature, and other legislative committees held their meetings during the even-numbered years.

Factors involved with the general state aid formula in 1950-51.

Districts Not Reorganized

Average Daily Attendance for 1949-50	Prior Year
School District Budget for 1949-50	Prior Year
Equalized Valuation for 1948	2 Years Prior

Reorganized Districts

Average Attendance for 1st Semester of 1949-50	
Budget for 1950-51*	Current Year
Equalized Valuation for 1949	Prior Year

*Aids were adjusted on actual figures from 1950-51 annual report.

Guaranteed Valuations

				Flat Aid
Integrated	-	12	grade districts	$17,000/ada	$30 - $35
Basic	-	12	grade districts	$15,000/ada	$25 - $30
Basic	-	8	grade districts	$15,000/ada	$25
Integrated UHS				$50,000/ada*	$35
Basic UHS				$45,000/ada*	$30

State matched up to 9 mills in all districts except UHS. UHS matching to 5 mills.

Excess aid paid on some mill limits in 1949-50. No records available on amounts paid in 1950-51.

*Chapter 233, published March 3, 1951, established a definite state aid for UHS. A guaranteed valuation of $50,000/ada for integrated UHS and $45,000/ada for basic UHS.

*Chapter 236, published May 24, 1951, provided for retroactive payments for 1949-50 and 1950-51 based on the terms contained in Chapter 233.

Retroactive aids to UHS based on guaranteed valuations of $50,000 and $45,000 were paid in 1950-51. Adjustments for 1949-50 were also made.

Chapter 11, published March 3, 1951, substituted the previous year rather than the year in which aids were granted as a base upon which state aids are computed.

It impacted upon section 40.372(1a) and (2a) and caused the aid formula to use the prior year's cost from the annual report rather than a current budget.

Although no further legislative action took place affecting the general aid formula during the 1949-51 legislative session, the 1951 legislature impacted upon the formula for UHS by causing the legislation to be retroactive and upon the cost of education as it is used in the formula.

Statistical Data

Number of school districts.

Basic elementary school districts	4,070
Basic twelve grade school districts	33
Union High School district	69
Integrated K-12 or 1-12 grade district	324
Total	4,496

*no records available on the number of school districts suspended in 1950-51.

Enrollments in public schools.

Rural	77,725
Graded	60,574
Elementary	214,750
High School	148,223
Handicapped	2,619
Total	503,891

Information taken from biennial report.

Average Daily Attendance	$ 455,687
Local cost of current operation and transportation	$ 110,935.798
General state aid	$ 21,681,178
Aids paid local school districts in June of 1950	

Percent of cost paid by state - 19.5

Median levy rates.

Basic elementary districts	7.7 mills
Basic 12-grade district	18.5 mills
UHS	7.1 mills
Integrated K-12 or 1-12	13.0 mills

*no records available on the average daily attendance used for the payment of state aid.

Summary of Changes in the General State Aid Formula in 1950-51 over 1949-50

The cost of operation for the prior year rather than the current year budget in the computation of general state aids contained in Chapter 11, Laws of 1951, was implemented in the 1950-51 fiscal year. This caused the same operational expenditures to be used for 1949-50 and 1950-51. This legislation made is possible for local districts to have definite figures for computing their state aids as part of the budget when presented at the annual meeting in July.

The equalized valuation for two prior years used in the formula in 1950-51 rather than just the prior year caused the 1948 equalized valuation to be used in both years of the 1949-51 biennium. This change made a decided improvement, in that it provided the district with an actual equalized valuation to be used in the formula, rather than an estimated equalized valuation.

With a May 1 assessment date and the requirement that the municipality hold a board review, the sending of the assessments to the county, the filing of all county assessments to one of six state regional offices (who in turn must establish the equalized or full value of all the municipalities located in the counties in their region), and the forwarding of full or equalized valuations of all municipalities to the state (who is responsible for establishing the equalized valuation on a school district basis) takes about 18 months.

This change allowed school districts to use the equalized valuation for 1948 (which was certified to local districts in October or November 1949) to compute the general state aids for 1950-51, which was seven or eight months before the annual meeting in July 1950.

1951 LEGISLATIVE SESSION

Chapter 600, Laws of 1949, created section 40.374 of the Wisconsin statutes, which states:

> Biennially following the release of data on property valuations by the state department of taxation in even numbered years, the sub-committee on education of the legislative council shall with the co-operation of the state department of public instruction and representatives of the local school administrators, consider the advisability of readjusting the valuation of $15,000 and $17,000 per resident pupil in average daily attendance in the basic and integrated districts upward or downward in terms of changes in valuations or school costs, and shall report their findings to the governor and to the legislature, recommending action to be taken to properly adjust the aid program to the appropriation provided by section 20.25 (3) and (4).

The members of the Legislative Education Committee in 1950 included the following legislators:

Representative W. W. Clark, Chairman, Vesper
Senator Oscar W. Neale, Vice-Chairman, Stevens Point
Senator Philip Downing, Amberg
Senator Robert R. Robinson, Beloit
Representative Arnie Betts, Secretary, Lodi
Representative Raymond Bice, La Crosse
Representative Ruth B. Doyle, Madison
Representative Julius Stangel, Kewaunee

The Education Committee and the following local school administrators constituted the Biennial Aids Adjustment Committee in 1950. The three city school superintendents on the committee were:

Paul M. Loofboro, Wisconsin Dells
J. H. Murphy, Chippewa Falls
Perry Tipler, Oshkosh

The three county school superintendents were:

W. E. Moore, Marathon County
Paul F. Glester, LaFayette County
Lester Timm, Fond du Lac County

The Biennial Aid Adjustment committee met with State Superintendent of Public Instruction George E. Watson, and members of his staff in 1950.

The committee found that the average increase in property valuations from 1948 to 1950 was 11.6 percent for the state as a whole. However, within the state, the increase varied from two percent to 35 percent.

The committee recommended an increase in the guaranteed valuation of $17,000 and $19,000 for basic and integrated school districts, up from $15,000 and $17,000 during the 1949-51 biennium.

The Legislative Council endorsed the action of the Biennial Aids Adjustment Committee, and the Assembly Education Committee introduced the proposal in Assembly Bill 18A.

Chapter 344 (18a), Laws of 1951 was passed by the 1951 legislature and signed by the governor in June 1951. It increased the guaranteed valuation behind each resident student/ada to $17,000 for basic districts and $19,000 for integrated aid districts.

Other action taken in the 1951 legislative session which impacted upon the general state aid formula included the following:

Chapter 11, published March 3, 1951, amended section 40.372(1)(a) and (2)(a) of the statutes relating to the payment of state aids to be based on the previous year's levy. It substituted the previous year rather than the year in which aids are granted as a base upon which state aids are computed. **The administration of the formula under Chapter 600 was very difficult. Under this legislation, the districts would have actual costs upon which to compute state aids.** This act was implemented in the aid computation during the 1950-51 fiscal year.

Chapter 233, published March 3, 1951, provided for a definite state aid to union high school districts and established a formula for the distribution of such aids according to whether it corresponded to a basic or integrated district.

This act reduced the required levy mill rate for the payment of state aids from 4 to 3 mills.

It established a guaranteed valuation of $45,000/ada for basic UHS districts and $50,000/ada for integrated UHS districts, replacing the $40,000 established in Chapter 600.

Chapter 236, Laws of 1951, published May 24, 1951, provided for retroactive state aid payments to UHS districts for 1949-50 and 1950-51 based on the terms contained in Chapter 233.

1951-52

Factors involved with the general state aids formula in 1951-52.

Districts Not Reorganized

Average daily attendance for the first semester of 1951-52
1950-51 annual reports
1949 equalized valuations

Reorganized Districts

Third week in September 1951, ada
1951-52 Budget*
1950 Equalized Valuation

*Aids adjusted upon 1951-52 annual reports.

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$19,000/ada	$30 - $35
Basic	-	12	grade districts	$17,000/ada	$25 - $30
Basic	-	8	grade districts	$17,000/ada	$25
Integrated UHS				$50,000/ada*	$35
Basic UHS				$45,000/ada*	$30

State matched all districts except UHS to 9 mills. UHS - 5 mills.

Excess cost aid paid -- Integrated over 15 mills
Basic 12 over 25 mills
Basic 8 over 20 mills
UHS over 15 mills

Excess aids paid during 1951-52: $257,336.35

Basic districts must levy 3 mills

Integrated districts must levy 5 mills

UHS districts must levy 3 mills (except for first two years of operation when they are required to raise 1 mill)

Statistical Data

Number of school districts.

Basic elementary school districts	4,069
Basic twelve grade school districts	48
Integrated UHS	46
Basic UHS	23
Integrated K-12 or 1-12 grade district	308
	4,494
Closed	969
Total Districts	5,463

*no records available on the number of school districts suspended in 1949-50.

Enrollments in public schools.

Rural	74,151
Graded	62,633
Elementary	226,070
High School	149,570
Handicapped	3,034
Total	515,458

Average daily attendance	462,550	89.70% of enrollment
Resident ada	390,971	75.80% of ada
Nonresident ada	51,942	10.00% of ada
Nonaided ada	19,637	3.83% of ada

Average daily attendance (ada) is established on the basis of the aggregate days attended divided by the number of days of school was actually in session.

Resident ada represented 75.8 percent of total ada. School districts receive either flat or equalization aid for resident students depending upon the equalized valuation behind each student ada in the district. During 1951-52, the guaranteed valuation was $17,000/ada for basic districts and $19,000/ada for integrated districts.

Nonresident ada represented about 10 percent of the student average daily attendance, and the districts received flat aids of $30/ada for elementary students and $35/ada for high school students.

Districts did not receive state aid for 19,637 student ada's because those students exceeded the teacher/pupil ada ratio of 25 to 1.

State Aid Payments.

Resident flat aid	$	11,415,380	367,844
Resident equalization aid	$	4,657,714	23,127
Nonresident Aid - Elementary	$	285,180	9,500
Nonresident Aid - High Schools	$	1,485,470	42,442
Excess cost aid	$	257,336	
	$	18,101,080 *	

1950-51 Operational costs	$	103,365,885	
1949 Equalized valuation	$	8,150,282,908	
	$	361,762,682	UHS

*district prorated at 93.51%
Payment of $16,926,324

During the 1951 legislative session, the state aid formula was modified so that the cost of operation from the prior year was used (taken off of the annual report) rather than a current budget and the equalized valuation from two years prior to the year for the payment of aids was used rather than the prior year.

These two changes made it possible to determine the amount of general state aid a district will receive for the upcoming year in time for the annual meeting in July.

Reorganized districts still use estimates to compute state aids when they use the ada from the third week in September, a budget estimate, and the prior year's equalized valuation, causing the aid computation to be computed again at the end of the year and an adjustment of aids for each reorganized district.

1952-53

Factors involved with the general state aid formula in 1952-53.

Districts Not Reorganized

1950 Equalized Valuation
1951 Levies
1951-52 Annual Report
1951-52 Average Daily Attendance

Districts Reorganized

1950 Equalized Valuation*
1952 Levies
1952-53 Budget
ada for first half year of 1952-53

*Chapter 5, Laws of 1953, changed the equalized valuation for the computation of state aids from current to prior year.

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$19,000/ada	$30 - $35
Basic	-	12	grade districts	$17,000/ada	$25 - $30
Basic	-	8	grade districts	$17,000/ada	$25
Integrated UHS				$50,000/ada*	$35
Basic UHS				$45,000/ada*	$30

Statistical Data

Number of school districts.

Basic elementary school districts	3,984
Basic twelve grade school districts	32
Integrated UHS	50
Basic UHS	20
Integrated K-12 or 1-12 grade district	323
	4,409
Closed	944
	5,353

33

Enrollments in public schools.

Rural	71,857	
Graded	67,446	
Elementary	255,355	
High School	153,173	
Handicapped	3,113	
Total	550,944	
Average daily attendance	479,518	87.0%
Resident ada	394,955	82.0%
Nonresident ada	52,301	11.2%
Nonaided ada	32,462	6.8%

State Aid Payments.

Resident flat aid	$ 11,745,650	376,169
Resident equalization aid	$ 4,417,042	18,586
Nonresident Aid - Elementary	$ 239,010	7,967
Nonresident Aid - High Schools	$ 1,551,710	44,334
Excess cost aid	$ 688,485	
Total	$ 18,641,897	447,056
1950-52 Operational costs	$ 114,700,996	
1950 Equalized valuation	$ 9,198,377,350	
	$ 434,924,630	UHS

Payment of $1,394,942 in state aid paid for 1951-52. (Proration)

1953 LEGISLATIVE SESSION

Membership on the Legislative Education Committee in 1952 included the following legislators:

Representive W. W. Clark, Chairman, Vesper
Senator Oscar W. Neale, Vice-Chairman, Stevens Point
Representative Julius Stangel, Secretary, Kewaunee
Senator Phillip Downing, Amberg
Senator Robert P. Robinson, Beloit
Representative Ruth B. Doyle, Madison
Representative Milford C. Kintz, Richland Center
Representative Russell Paulson, Strum

The Education Committee and the following committee met November 3, 1952, in accordance with section 40.374 of the Wisconsin statutes to consider recommending adjusting the guaranteed valuation in the general aid formula for the 1953-55 biennium.

C. M. Barnach, President, County Superintendent's Association
Harry Hanson, Dane County Superintendent

Albert Moldenhauer, City Superintendent, Stoughton
R. W. Fenske, City Superintendent, Wisconsin Dells
Russell Gregg, University of Wisconsin-Madison
Earl Sachse, Secretary, Legislative Council
H. T. James, Director of Aids
G. E. Watson, State Superintendent of Public Instruction
Arther Wegner, Representative of the Governor's Office

A study of the total increase in equalized valuation in the state from 1948 to 1952 in terms of the valuation back of each pupil, indicated a sharp increase had taken place.

In 1949-50 with a current ada of 451,896 and an equalized valuation in 1948 of $7,928,898,875, the average equalized valuation/student was $17,546. This remained the same during 1950-51, inasmuch as the same ada and equalized valuation were used both years.

In 1954-55, with an estimated ada of 477,000 and a 1952 equalized valuation of $11,967,582,932, the average equalized valuation/student increased to $25,089, an increase of 43 percent. To increase the guaranteed valuation by the same percentage, the $17,000 would have to be increased to $24,310.

The average daily attendance increase during the same period went from 451,896 to an estimated 477,000, or 25,104, and increase of only 5.5 percent.

Another important factor to consider in the adjustment of the guaranteed valuation was operational costs. The operational costs in 1949-50 was $102,847,434. In 1954-55 it increased to $135,344,827, or $32,497,393, an increase of 32 percent over a five year period. Another significant factor was the cost per pupil, because the guaranteed valuation was established on a per-student ada. The operational cost/student ada was $227 in 1949-50 and increased to $265 in 1954-55. During this five-year period, the cost/ada increased only $38.

The Biennial Adjustment Committee recommended an increase in the guaranteed valuation from $17,000 to $19,000 for basic districts and from $19,000 to $21,500 for integrated districts.

During the committee's study of the operation of the general state aid formula, it recognized that the adjustment of the guaranteed valuation, while necessary even if no other change in the formula was made, does not improve the equalization of the costs to be borne by local property, but merely shifted a greater percentage of the cost on land valuation districts in the state. While such a shift did reduce the required levy borne by property taxes, it reduced it without regard for the effort by local districts to support their schools.

The committee found that a $1,000 increase in the guaranteed valuation effected some load reduction on property in a basic district levying 20 mills, but it also reduced at about the same rate the levy required in a district levying 15 mills, 12 mills, 9 mills, 6 mills or 3 mills. Since the number of aid dollars required to reduce the tax load in those districts now levying less than the state average was a considerable part of the total aids appropriation, the committee decided to recommend an adjustment of another factor in the aids law which would produce a greater degree of equalization.

It recommended eliminating the 9 mill maximum for sharing in the formula and having the state match the levy required of the district up to the maximum the district was permitted to levy by law. (This was 15 mills for Integrated-12 grade districts, 25 mills for Basic-12, 20 mills for Basic-8, and 15 mills for UHS.)

Such a change in the formula would benefit every district required to levy more than 9 mills and would not affect the aids being received by any district levying less than 9 mills.

The bills introduced by the Legislative Council as a result of the recommendations of the Education Committee included the following:

Chapter 401, Laws of 1953, published July 10, 1953, amended section 40.372(1)(a)2 by increasing the guaranteed valuation/ada in basic school districts from $17,000 to $19,000 and section 40.372(2)(a) by increasing the guaranteed valuation/ada in integrated districts from $19,000 to $21,000.*

Chapter 118, Laws of 1953, published May 13, 1953, amended section 40.372(2)(b) and excludes nonresident elementary pupils attending schools in integrated districts from computation of state aid.

It discontinued the indirect payment of state aids to districts not operating elementary schools. **This made the same principle applicable to integrated districts as had been applicable to basic elementary districts since 1949.**

This action established an incentive for nonoperating school districts to become part of an operating district.

Chapter 28, Laws of 1953, published April 7, 1953, amended section 40.373(1)(b) by deleting the following portion: Handicapped children for whom full-time special instruction is provided and teachers who devote full time to handicapped children shall not be counted in a computing ada for aid purposes." Thereby, handicapped children and their teachers were included in computing the school district ada for aid purposes.

Chapter 5, Laws of 1953, published March 14, 1953, amended section 40.373(1)(c) by providing that the average daily attendance and teacher/pupil ratio of newly reorganized school districts be based on the third week in September for the first year of operation (formerly for the first semester) and the equalized valuation for the same year upon which aids would have been apportioned if the district had not been reorganized, except where the value of the district increased or decreased in excess of 10 percent.

Chapter 4, Laws of Wisconsin, published February 14, 1953, appropriated $1,550,010 from the general fund for the balance due on state aids for the 1951-52 school year.

Chapter 90, Laws of 1953, published May 7, 1953, did the following:

Section 40.37 through 40.374 renumbered 40.66 through 40.71
40.37 renumbered 40.66
40.371 renumbered 40.67
40.372(1)(2) renumbered 40.70(5)(6)
40.373(1)(a) and (2) repealed

***Note that the legislature did not accept the increase in the guaranteed valuation recommended by the Biennial Aids Adjustment Committee of $21,500 for integrated school districts.**

40.373(1)(c) renumbered 40.70(4)
40.373(1)(b) renumbered 40.70(1) to (3)
40.374 renumbered 40.71
40.373(1)(b) renumbered 40.70(1) to (3)

40.70(1) was amended and defined average daily attendance as "pupils in average daily attendance" in the sum of actual daily attendance in all schools of the district for each day of the school term divided by the number of days school was actually held.

This is the first legislation which actually established the method to be used to determine the ada. It was the method that was established by DPI prior to Chapter 90, Laws of 1953.

Chapter 112, Laws of 1953, published May 12, 1953, amended 40.372(1)(a)(2) of the statutes to read, ". . . a sum equal to the mill rate required for current operation and maintenance." This amendment identified the purpose for which the levy was raised under the formula.

Chapter 126, Laws of 1953, published May 14, 1953, created 40.374(2a) of the statutes relating to the advance payment of state aids to school districts.

> Upon the request of a school district filed on or after July 15, the State Department of Public Instruction may upon his determination of need grant an advance payment of the state aids payable to such district not to exceed 75 percent of its total annual aid, provided the district's annual report for the previous year is filed and processed.

Chapter 414, Laws of 1953, published July 15, 1953, amended section 40.374(2a) of the statutes created by Chapter 126, Laws of 1953, from "his determination of need" to "its determination of need."

No action was taken by the legislature in this section to eliminate the 9-mill limit for sharing state aids with K or 1-12 grade districts or 5 mills for UHS, as was recommended by the Biennial Aids Adjustment Committee.

1953-54

Factors involved with the general state aid formula in 1953-54.

Districts Not Reorganized

1951 Equalized Valuation
1952 Levies
1952-53 Annual Report
1952-53 ada

Districts Reorganized

1951 Equalized Valuation
1953 Levies
3rd week in September 1953 ada
Budget for 1953-54

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$21,000/ada	$30 - $35
Basic	-	12	grade districts	$19,000/ada	$25 - $30
Basic	-	8	grade districts	$19,000/ada	$25
Integrated UHS				$50,000/ada*	$35
Basic UHS				$45,000/ada*	$30

Note: No change made in the guaranteed valuation for UHS, even though 12-grade districts were increased by $2,000/ada.

Aids prorated at 93.69 percent during 1953-54.

Statistical Data

Number of school districts.

Basic elementary school districts	3,880
Basic twelve grade school districts	29
Integrated UHS	49
Basic UHS	19
Integrated K-12 or 1-12 grade district	328
	4,305
Closed	653
	4,958

Enrollments in public schools.

Rural	70,540
Graded	71,437
Elementary	273,453
High School	157,367
Total	572,797
Average daily attendance	503,140
Resident ada	432,305
Nonresident ada	53,755
Nonaided ada	17,080

State Aid Payments.

Resident flat aid	$ 12,684,030.00
Resident equalization aid	$ 5,634,574.78
Nonresident Aid	$ 1,563,765.00
Excess cost aid	$ 522,130.60
	$ 20,404,500.38
1950-52 Operational costs	$ 125,175,615.55
1950 Equalized valuation	$10,418,575,110.00

Aids Prorated at 93.69%

Actual Payment During 1953-54	$ 19,116,978.52

1954-55

Factors involved with the general state aid formula in 1954-55

Districts Not Reorganized

1952 Equalized Valuation
1953 Levies
1953-54 Annual Report
1953-54 ada

Districts Reorganized

1952 Equalized Valuation
1954 Levies
3rd Week in September 1954 ada
Budget for 1954-55 (adjusted later on annual report)

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$21,000/ada	$30 - $35
Basic	-	12	grade districts	$19,000/ada	$25 - $30
Basic	-	8	grade districts	$19,000/ada	$25
Integrated UHS				$50,000/ada*	$35
Basic UHS				$45,000/ada*	$30

Flat aid payments have stayed at the same level since 1950-51. The only change from Chapter 600 was the $35 for integrated UHS. In Chapter 600, all UHS districts received flat aids of $30.

Statistical Data

Number of school districts.

Basic elementary school districts	3,787
Basic twelve grade school districts	25
Integrated UHS	54
Basic UHS	17
Integrated K-12 or 1-12 grade district	328
	4,211
Closed	390
	4,601

Enrollments in public schools.

Rural	67,936
Graded	75,021
Elementary	288,603
High School	160,662
Total	592,222
Average daily attendance	522,933
Resident ada	461,951
Nonresident ada	49,480
Nonaided ada	11,502

State Aid Payments.

Resident flat aid	$	13,552,095.00
Resident equalization aid	$	5,088,711.68
Nonresident Aid	$	1,504,130.00
Excess cost aid	$	776,016.40
	$	20,920,953.08
Balanced of 1953-54 aids paid in 1954-55	$	1,287,521.86
Total Aid Paid During 1954-55	$	22,208,474.94
1950-52 Operational costs	$	135,344,826.90
1950 Equalized valuation	$	11,967,582,932.00

1955-63: THE WISCONSIN WHITE HOUSE CONFERENCE

The Wisconsin White House Conference on Education was established in 1955 by Governor Walter J. Kohler at the request of President Eisenhower. Each state was asked to establish a conference on education to study educational problems within the state and to report its suggestions for improvement at the Whitehouse Conference to be held in Washington, D.C., from November 28 through December 2, 1955.

The committee was established with the selection of 75 citizens (two-thirds laymen and one-third education) with Dr. N. E. Masterson as its chairman.

The committee met through the summer and fall of 1955 and established four problem areas: teacher supply and demand, curriculum, school finance, and school buildings.

The problem researched and reported in the Wisconsins' Report on Education in November 1955 regarding school finance was, how can education be financed in an equitable manner and at a level of support which will ensure the greatest development of our human resources?

Recommendations in the report on the Wisconsin school financing related to the general aid formula included the following:

1. Revenues for public schools from state sources should be increased from 19.3 percent of the total cost to 35-40 percent under a well-conceived equalization program.

2. In addition to existing federal aids, a reasonable application of the equalization principle on a federal basis should be considered.

3. The present state aid program should be reapproved. Greater emphasis should be put on equalization. Many districts in the state received aids, even though the local tax effort was relatively meager and placed little pressure upon local resources.

1955 LEGISLATIVE SESSION

Since the 1953 legislature directed the Legislative Council to make two studies in the field of higher education, no regular education committee was appointed. Senators Foster B. Porter and W. W. Clark and Representative Riley Stone served as a special committee of the council to examine certain problems relating to elementary and secondary education. Section 40.71(1) stats. directed the Committee on Education of the Legislative Council to biennially consider the advisability of readjusting the valuation per resident pupil in ada.

Pursuant to that directive, the council met with State Superintendent of Public Instruction George E. Watson, O. J. Sohrweide and Matt Knedle of the Wisconsin Association of County Superintendents, and Homer E. DeLong and Harold Menner of the Wisconsin Association of School Administrators.

This committee reviewed the factors dealing with the general state aid formula and recommended increasing the guaranteed valuation per resident student from $19,000 to $21,000 for basic districts and from $21,000 to $23,500 for integrated districts. This recommendation along with a number of other changes in the general aid formula were incorporated in Senate Bill 3, which became Chapter 147, Laws of 1955.

It amended 40.70(5)(a)(6)(a) of the stats and increased the guaranteed valuation as was recommended. In addition to the increase in the guaranteed valuation, this act increased the state's share in the equalization formula from 9 to 15 mills for basic and integrated districts operating grades 1-8 and K-12 or 1-12.

Chapter 147 amended 40.71(6)(b) and (c) of the stats by increasing the guaranteed valuation for basic UHS from $45,000 to $55,000/resident ada and from $50,000 to $60,000 for integrated UHS districts. It also increased the matching mill limit from 5 to 10 mills for all UHS districts.

The chapter also amended 40.71(4) of the statutes regarding the approval of budgets.

In addition to the requirement for prior budget approval by the Department of Public Instruction for all districts whose state aid was over 50 percent of the total receipts of the districts, this act also included districts who received excess aid. This approval was required prior to the payment of state aid.

Action taken by the 1955 legislature increasing state's share in the general equalization formula from 9 to 15 mills for 12-grade districts was in keeping with the recommendation made by the Biennial Aids Adjustment Committee in 1952 to the 1953 legislature.

Chapter 25, Laws of 1955, published April 9, 1955, appropriated $1.5 million to pay the balance of the state aids due on aids payable for the 1953-54 school year.

Chapter 446, Laws of 1955, published July 27, 1955, created section 40.70(7) of the Wisconsin stats relating to state aids to certain common school districts and created a new classification for common school districts meeting integrated eligibility.

The integrated classification for common school districts provided the same guaranteed valuations and flat aids provided integrated K-12 or 1-12 districts.

Chapter 604, Laws of 1955, published August 30, 1955, created 40.71(11) of the statutes:

> Amounts paid by school districts as rentals which are used for the purpose of retiring indebtedness on the buildings or properties for which said rentals are paid, shall not be included in the cost of operation and maintenance for the purpose of computing aids or tuition.

1955-56

Factors Involved with the General State Aid Formula:

Districts Not Reorganized

1953 Equalized Valuation
1954 Levies
1954-55 Annual Report
1954-55 ada

Districts Reorganized

1953 Equalized Valuation
1955 Levies
1955-56 Budget
3rd week in September ada

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$23,500/ada	$30 - $35
Integrated	-	8	grade districts	$23,500/ada	$30
Basic	-	12	grade districts	$21,000/ada	$25 - $30
Integrated UHS				$60,000/ada	$35
Basic UHS				$55,000/ada	$30

First year for new classification of integrated-8.

Statistical Data

Number of school districts.

Basic elementary school districts	3,581
Basic twelve grade school districts	20
Integrated UHS districts	65
Basic Union High School districts	10
Integrated 8 grade districts	47
Integrated K-12 or 1-12 grade districts	329
	4,052
Closed	73
Total	4,125

Enrollment in public schools.

Rural	63,861
Graded	80,207
Elementary	302,078
High School	164,681
Total	610,827

ada	539,782
Resident ada	489,220
Nonresident ada	45,376
Nonaided ada	5,186

State Aid Payments.

Resident flat aid	$ 14,474,090.00
Resident equalization aid	$ 9,179,117.49
Nonresident aid	$ 1,452,035.00
Excess cost aid	$ 77,669.62
Total	$ 25,182,912.11

Flat aid payments continued to be greater than equalization aid. However, equalization aid increased from $5 million to over $9 million in 1955-56. This indicates that there continued to be more students in school districts that had an equalized valuation per student equal to or greater than the guaranteed valuation of $23,500 per ada. It is also noteworthy that the excess cost aid was reduced substantially. This was due to the change in the ceiling for the sharing of state aid in the equalization formula from 9 to 15 mills, along with the increase in the guaranteed valuation from $21,000 to $23,500.

	Percent	Increase Over 1954-55
1955-56 operational costs	$ 148,926,276	10.0%
1953 equalization valuation	$ 12,813,036,000	7.1%

1956-57

Factors involved with the general state aid formula:

Districts Not Reorganized

1954 Equalized Valuation
1955 Levies
1955-56 Annual Report
1955-56 ada

Districts Reorganized

1954 Equalized Valuation
1956 Levies
3rd week in September, 1956 ada
Budget 1956-57

Guaranteed Valuations

				Flat Aid
Integrated	-	12 grade districts	$ 23,500/ada	$30 - $35
Integrated	-	8 grade districts	$ 23,500/ada	$30
Basic	-	12 grade districts	$ 21,000/ada	$25 - $30
Basic	-	8 grade districts	$ 21,000/ada	$25
Integrated UHS			$ 60,000/ada	$35
Basic UHS			$ 55,000/ada	$30

The first year that rentals were used to retire indebtedness on buildings or properties could not be included in the cost of operation and maintenance for computing state aids.

Statistical Data

Number of school districts.

Basic elementary school districts	3,332
Basic twelve grade school districts	19
Integrated UHS districts	69
Basic Union High School districts	10
Integrated K-12 or 1-12 grade districts	323
	3,822
Closed	52
Total	3,874

Enrollments in public schools.

Rural	57,740
Graded	86,398
Elementary	312,036
High School	172,385
Total	628,559

ada	556,019
Resident ada	505,933
Nonresident ada	42,375
Nonaided ada	7,711

State Aid Payments.

Resident flat aid	$ 15,063,065.00
Resident equalization aid	$ 10,685,293.45
Nonresident aid	$ 1,377,125.00
Excess cost aid*	$ 195,155.25
Total	$ 27,320,638.70

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 12	211	$ 8,779,319.71
Integrated - 8	21	$ 260,608.18
Basic - 8	1,093	$ 1,521,559.53
Basic - 12	9	$ 36,609.53
UHS	29	$ 282,351.75
Total	1,363	$ 10,880,448.70

		Increase Over 1954-55
1955-56 operational costs	$ 161,898,917.38	8.7%
1953 equalization valuation	$ 13,244,709.75	3.4%

***Even with the increase in state sharing based on 15 mills rather than 9 mills, a number of equalization aid districts exceeded the 15 mills.**

1957 LEGISLATIVE SESSION

Membership on the Biennial Aids Adjustment Committee in 1956 included the following:

Senator W. W. Clark, Chairman, Vesper
W. E. Moore, Vice-chairman, Co. Supt. of Schools, Marathon County
Representative William T. Sullivan, Kaukauna
Howard Teasdale, Co. Supt. of Schools, LaFayette County
Dale Thompson, Wis. Association of School Boards, Beloit
W. A. Taege, Wis. Association of School Boards, Rhinelander
Armin Schroeder, Wis. Association of School Boards, Neenah
Richard Marshall, Supt. of Schools, Jefferson
Harvey L. Bronson, Supt. of Schools, East Troy
H. E. Kujath, Supt. of Schools, Columbus
M. W. Patchett, Supt. of Schools, Weyerhaeuser
T. E. Fitzgerald, Advisory Member, New London
George E. Watson, State Superintendent of Public Instruction
William C. Kahl, Director of Aids, Department of Public Instruction

The committee met on October 3 and October 25, 1956, in Madison, Wisconsin, and reviewed all of the factors related to the general state aid formula for the six-year period from 1949-50 through 1954-55.

The committee recognized that the reorganization of school districts into larger administrative units was a step toward a long-range solution of the problem of providing additional finances for education because of the wider tax base which would be established and the lower per-pupil cost. Nonetheless, there was an immediate and critical financial need to provide state assistance for operations, maintenance, and capital outlay costs of education.

Committee consideration of several legislative proposals on state support for elementary and secondary public schools made it apparent that many basic and pertinent factors interact, making the overall picture on state support appear complex. The complexity was justified, however, in that the interrelation of these factors works toward equitable distribution of school aid to local districts.

Under the present support program, a school district needed to meet certain minimum educational standards in its program and levy a minimum local tax to qualify for either type of aid - flat or equalization - whichever was the greater amount. The committee reviewed the underlying concepts of the general equalization aid program to see how the formula impacted upon the equality of educational opportunity, local ability and effort, and the quality of education.

The Distribution of Average Daily Attendance
Basic and Integrated Schools, 1954-55

Type of District	Number of Districts	Elementary ada	Secondary ada	Combined ada	Percent of Total ada
Basic:					
1-8	3,654	115,312	--	115,312	21.6
1-12	20	2,121	1,070	3,191	.6
9-12	10	--	598	598	.1
Subtotal	3,684	117,433	1,668	119,101	22.3
Integrated:					
1-8	47	16,994	--	16,994	3.2
1-12	329	246,676	138,338	385,014	72.0
9-12	65	--	13,487	13,487	2.5
Subtotal	411	263,670	151,825	415,495	77.7
Totals	4,125	381,103	153,493	534,596	100%

Of the total ada in 1954-55, 77.7 percent was found in school districts qualifying for state aids on the integrated level. Of the 77.7 percent in the integrated programs, 72.0 percent of the children were attending a school program offering K-12 or 1-12 programs. Of the total ada, 119,101 (22.3 percent) provided school programs qualifying for basic aids. The trend found a diminishing percentage and number of children in the base program and a rising percentage and number of children in the integrated level of the school program.

The 1954-55 percentage of current operations supported by state aids was about equal for the integrated programs as for the basic programs. A large percentage of the basic districts were rural one-room schools with an average ada of 31. The operational costs/ada and the amount of state aid was low for these basic districts.

FACTORS AFFECTING FINANCE

Rising costs of living and larger enrollments between 1948 and 1955 increased the cost of education in Wisconsin to $86,389,861. Of this cost, $72,297,904 (83.7 percent) was assessed against property, while income and utility taxes bore only 16.3 percent of the cost. Income tax and utility tax provided major funding for general purpose revenue for the State of Wisconsin in the early fifties, and state aids for schools were funded out of general purpose revenue.

Great disparity existed in different parts of Wisconsin in the equalized valuations per resident/ada. For example, using 1953 equalized valuation divided by 1954-55 ada, 521 school districts had less than $12,000 valuation, while 386 had over $50,000.

State aid increased in dollar amounts but decreased as a percent owing to inflation and mounting school costs.

In 1955 about $80 million in shared taxes was returned to localities (municipalities), unrelated to the localities' needs. Generally, these taxes were not shared with school districts and, therefore, provided very little to meet the operating costs of schools.

The Wisconsin White House Conference Report* (a result of Jt. Res. No. 53.5., 1955 session) predicted that by 1965, education costs for comparable services in the state would mean an increased expenditure of 50 percent. The report recommended raising state aids to public education from 16.2 percent to 35 percent or 40 percent of total school costs (excluding capital outlay and debt service). Increasing state aids to the 40 percent figure would mean raising an additional $35 million to $40 million for education. As possible sources of increased state revenues for support of public education, the report suggested the following:

Increased rates on normal income tax
Increased rates on corporation income tax
Increased cigarette and liquor taxes
Franchise tax on banks
Gross revenue tax on utility companies
Tax on soft drinks
Gross income tax on railroads
Sales tax

RECOMMENDATIONS TO THE BIENNIAL AIDS ADJUSTMENT COMMITTEE

The League of Wisconsin Municipalities recommended to the committee that state support be raised to 50 percent of total school operating costs. The Wisconsin Towns Association recommended increased state support up to, but not in excess of, 50 percent of total operating costs. Other recommendations included a statement that the wealth of Wisconsin should support the education of its children.

A 10-mill or 11-mill statewide levy on property would raise about $300 per pupil and, equally distributed among the school districts, would cover the major portion of total school operating costs.

With an ada of 522,933 public school pupils in 1954-55, at an approximate cost of $300/pupil for current operation, educational costs would approach $157 million. If the costs were applied against the equalized valuation of $13,964,253,450 for 1955, the current operation cost would require a property tax levy of 11.2 mills.

An additional contention was that the state aid program needed reapproval. Greater emphasis needed to be placed on equalization aids; many districts were receiving aids, even though the local tax effort was relatively meager and placed very little pressure on property tax resources.

A greater differentiation between the amount of school aid received by basic and integrated aid districts, might give more recognition to educational program quality. Consequently, improved programs and administrative units would be encouraged. It was further recommended to the committee that careful consideration be given to the matter of whether there should be any point in cessation of local effort beyond which the state would assume the entire operating cost for a district. The 15-mill required operating levy - a point beyond which state matched local financing ceased and the state assumed entire school operating costs - would be retained, but the state would assume only 50 percent excess costs rather than the current 100 percent.

RECOMMENDATIONS BY THE BIENNIAL AIDS ADJUSTMENT COMMITTEE

Bill No. R.L. 113 (4th draft), relating to state aids to public schools, contained the (1) guaranteed valuations recommended by the advisory committee on valuations (pursuant to 40.71, stats.); (2) the advisory committee on state support; and (3) the Education Committee, in accordance with principles endorsed to increase state aid to meet rising school costs and to relieve local property tax burdens.

Type of District	Current Valuation	Proposed Under R.L. 113
Basic 1-8 grade	$ 21,000	$ 23,500
Basic 1-12 grade	$ 21,000	$ 23,500
Basic UHS	$ 55,000	$ 55,000
Integrated 1-8	$ 23,500	$ 26,000
Integrated 1-12	$ 23,500	$ 30,000
Integrated UHS	$ 60,000	$ 65,000

Chapter 490, Laws of 1957, reduced the recommended guarantee for basic 1-8 and 1-12 by $500; agreed with R.L. 113 on the recommendation made for basic UHS, integrated 1-8, and integrated UHS; and reduced the recommendation for integrated 1-12 by $2,000.

Another recommendation made by the committee included an increase in flat aid payments.

Flat Aids Per Pupil (in dollars)

	Current		R.L. 113	
	Elementary	Secondary	Elementary	Secondary
Basic 1-8	25		30	
Basic 1-12	25	30	30	45
Integrated 1-8	30		45	
Integrated 1-12	30	35	45	60
Basic UHS		45		45
Integrated UHS		35		60

Chapter 490 increased basic elementary districts to $28 and high school districts to $35; integrated elementary to $35 and high school to $44; basic UHS to $35; and integrated UHS to $44.

The committee indicated that no adjustment in flat aids had been made since the initiation of the aid program in 1949. With rising costs, districts needed an increase to keep up with the support they received in 1949. The legislature felt that the need was greater in low valuation districts and was not anxious to increase flat aids. **They did not follow the recommendations of the Education Committee although flat aid was increased, it was not nearly as much as was recommended.**

Chapter 490, Laws of 1957, published August 9, 1957, created 40.69 of Wis. Stats. It was the purpose of the state aid formula (provided in 40.70 and 40.71 stats) to cause the state to assume a greater portion of the cost of public education and to relieve and reduce the general property of some of its tax burden.

Chapter 40.69 reaffirmed the position taken by members of the commission of improvement of educational systems in the late forties and amended 40.70(5)(6)(7) and 40.71(6)(b)(c) by increasing the guaranteed valuation and flat aid payments for 1957-58 and 1958-59.

	Equalized Valuation	Flat Aid
Basic - 8	$21,000 to $23,000	$25 to $28
Basic - 12	$21,000 to $23,000	$25 - $30 to $28 - $35
Basic UHS	Remain at $55,000	$30 to $35
Integrated - 8	$23,500 to $26,000	$30 to $35
Integrated - 12	$23,500 to $28,000	$30 - $35 to $35 - $44
Integrated UHS	$60,000 to $65,000	$35 to $44

This action continues to give districts the incentive to improve educational offerings for students. There was an increase in the guaranteed valuation/ada for integrated 12-grade districts of $4,500, while the basic 12-grade district guarantee increased only $2,000. Flat aid increases for integrated districts over basic districts were also greater. (Note that the guaranteed for integrated K-12 districts was considerably higher than what was provided the integrated UHS districts).

A guarantee of $28,000 for a K-12 integrated district was comparable to an increase of $84,000 for a UHS. It follows that the 12-grade district will have three times (or more) the students contained in a UHS (grades 9-12). The fact that the UHS had a guarantee of $65,000 demonstrated the policy of the legislature, which attempted to cause UHS districts to reorganize into 12-grade districts.

The basic versus integrated classification and the UHS versus K-12 or 1-12 organization continued to be part of the state aid formula, and the incentives carried therein continued the policy established in Chapter 600, Laws of 1949.

Frequently, the question arose from UHS supporters, "Isn't it discriminatory to fund UHS in this manner?" By design, the state felt that a better education was available in 12-grade districts than in UHS with separate elementary units. (This was particularly true in the elementary units). The shift from the basic classification to integrated districts and the decline in the number of UHS made it apparent that the formula was enriching programs and causing reorganization into 12-grade districts.

Chapter 643, Laws of 1957, published August 31, 1957, amended section 40.70(1) of the statutes. This eliminated 4-year-old kindergarten students from being counted in the general aid formula for the payment of state aid.

Chapter 36, Laws of 1957, published April 19, 1957, amended 40.71(1) of the Wisconsin statutes, adding three members of school boards (representing common school districts with grades 1-8, school districts with grades K-12 or 1-12, and union high school districts) to the Biennial Aids Adjustment Committee.

1957-58

Factors involved with the general state aid formula:

Districts Not Reorganized

1955 Equalized Valuation
1956 Levies
1956-57 Annual Report
1956-57 ada

Districts Reorganized

1955 Equalized Valuation
1957 Levies
3rd week in September 1957 ada
1957-58 Budget

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$ 28,000/ada	$35 - $44
Integrated	-	8	grade districts	$ 26,000/ada	$35
Basic	-	12	grade districts	$ 23,000/ada	$28 - $35
Basic	-	8	grade district	$ 23,000/ada	$28
Integrated UHS				$ 65,000/ada	$44
Basic UHS				$ 55,000/ada	$35

Basic UHS dsitrict's guaranteed valuation remained at $55,000, encouraging the ten basic UHS districts to improve or reorganize. It was the first year that flat aids were increased over the aids established in Chapter 600, Laws of 1949.

Statistical Data

Number of school districts.

Basic elementary school districts	2,989
Basic twelve grade school districts	14
Integrated UHS districts	71
Basic UHS districts	11
Integrated 8 grade districts	86
Integrated K-12 or 1-12 grade districts	322
	3,493
Closed	51
Total	3,544

Enrollments in public schools.

Rural	50,334
Graded	90,622
Elementary	330,861
High School	182,035
Total	653,852

ada	569,557
Resident ada	523,032
Nonresident ada	39,918
Nonaided ada	6,607

State Aid Payments.

Resident flat aid	$ 18,577,926.00
Resident equalization aid	$ 15,221,922.00
Nonresident aid	$ 1,653,606.00
Excess cost aid	$ 95,104.00
Total	$ 35,548,558.00

Flat aid continued to be greater than equalization aid, indicating that the actual full value/ada was greater than the guaranteed valuation/ada in many school districts.

Districts Receiving Equalization Aid.*

	Number	Amount
Integrated - 12	241	$ 12,884,404.81
Integrated - 8	30	$ 425,946.34
Basic - 8	1,079	$ 1,589,501.00
Basic - 12	8	$ 32,413.44
Integrated UHS	26	$ 346,956.77
Basic UHS	4	$ 37,804.21
Total	1,388	$ 15,317,026.81

*Excess cost aid added to equalization aid.

1957-58 operational costs	$ 177,932,627.22
1955 equalization valuation	$13,964,253,450.00

1958-59

Factors involved with the general state aid formula:

Districts Not Reorganized

1956 Equalized Valuation
1957 Levies
1957-58 Annual Report
1957-58 ada

Districts Reorganized

1956 Equalized Valuation
1958 Levies
3rd week in September 1958 ada
1958-59 Budget

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$28,000/ada	$35 - $44
Integrated	-	8	grade districts	$26,000/ada	$35
Basic	-	12	grade districts	$23,000/ada	$28 - $35
Basic	-	8	grade districts	$23,000/ada	$28
Integrated UHS				$65,000/ada	$44
Basic UHS				$55,000/ada	$35

Statistical Data

Number of school districts.

Basic elementary school districts	2,699
Basic twelve grade school districts	13
Integrated UHS districts	68
Basic UHS districts	12
Integrated 8 grade districts	112
Integrated K-12 or 1-12 grade districts	318
	3,222
Closed	42
Total	3,264

Enrollments in public schools.

Rural	44,433
Graded	95,026
Elementary	345,218
High School	190,168
Total	674,845

ada	596,086
Resident ada	544,191
Nonresident ada	37,367
Nonaided ada	14,528

State Aid Payments.

Resident flat aid	$ 19,518,341.00
Resident equalization aid	$ 16,475,272.18
Nonresident aid	$ 1,548,133.00
Excess cost aid	$ 302,400.97
Total	$ 37,844,147.15

Districts Receiving Equalization Aid.*

	Number	Amount
Integrated - 12	236	$ 14,493,528.33
Integrated - 8	34	$ 474,239.25
Basic - 8	865	$ 1,340,102.10
Basic - 12	3	$ 20,528.99
Integrated UHS	25	$ 396,591.13
Basic UHS	5	52,683.35
Total		$ 16,777,673.15

The 1956 Biennial Aids Adjustment Committee was questioned during its hearing on the general aid formula regarding the payment of excess cost aid to local school districts. In the discussion, a recommendation was made to have the state assume only 50 percent of the excess aid. The committee decided to retain excess aid in its present form; however, the thought of having the state continue to pick up the entire cost of excess aid was not popular with legislators, as they felt it was an incentive for school districts to spend more money.

1959 LEGISLATIVE SESSION

At the September 11, 1958, Education Committee meeting, 12 people were appointed to serve on the Biennial Aids Adjustment Committee. They represented the Legislative Council's Education Committee, school boards, county superintendents, and school administrators. They worked closely with the Department of Public Instruction in formulating recommendations for the 1959 legislature. Committee members included the following:

W. A. Taege, Chairman, School Board Member, Rhinelander
R. G. Hein, Vice-chairman, School Administrator, Waukesha
M. C. Schmallenberg, Secretary, School Administrator, Black River Falls
W. W. Clark, Senate Member, Vesper
Walter B. Calvert, Assembly Member, Benton
Patrick Kenney, School Board Member, Lancaster
Thomas Crest, School Board Member, Wisconsin Dells
Otto Neumann, County Superintendent, Oconto County, Gillett
O. J. Sohrweide, County Superintendent, Buffalo County, Alma
Al Erickson, School Administrator, Salem
Leo Helmuth, School Administrator, Green Bay
R. P. Slyvan, School Administrator, Frederic

The committee held two meetings and carefully reviewed materials prepared by the Department of Public Instruction explaining the support law. There was unanimous agreement among committee members that the incentive feature of the state aid law should be maintained and strengthened. This feature of the law recognized that a better quality educational program could be offered in integrated-level school districts; therefore, the state exerted a greater financial effort in districts providing an integrated program than in districts offering a basic program.

The committee recognized that the adjustment of the guaranteed valuation per resident pupil made it possible to maintain a fairly steady local mill rate. However, in the early years of the formula, the aids adjustment was increased $2,000/ada in both the integrated and basic level categories. This was not only inadequate to meet the continuing rise in school costs and equalized valuations but also did not provide a realistic incentive for the integrated district, as contemplated by the law, since there was not a significant differential between the aids paid to basic and integrated districts. In 1955 and 1957, the increase was substantial; however, it was necessary to provide a more substantial increase in 1959 to make up for the lean years from 1949 to 1955.

It was important in developing an adequate guaranteed valuation base to recognize that local school support was derived basically from the property valuation of local school districts. In school districts with an adequate local per-pupil valuation, the tax rate provided a sufficient number of local dollars for education. However, property valuation and students are not distributed equally throughout the state. Because of this inequity, the local valuation had to be supplemented by an additional tax base represented in the equalizing phase of the state support program. The essential problem was reaching a reasonable current operating tax levy rate. Through the years, the adjustment was considered acceptable when the current operational tax rate was around 12 mills.

Since approximately 73 percent of the students in the state were enrolled in integrated K-12 or 1-12 grade districts, the committee considered this adjustment first, keeping in mind changes in the costs and valuations and the incentive feature of the state aid law. The committee recommended a raise of $7,000 - from $28,000 to $35,000 per resident pupil. Other committee recommendations included the following.

Type of District	Equalized Valuation Increase
1-8 Elementary	
Basic	$23,000 to $25,000
Integrated	$26,000 to $29,000
K-12 or 1-12:	
Basic	$23,000 to $25,000
UHS:	
Basic	Remain at $55,000
Integrated	$65,000 to $75,000

The recommendations of the Biennial Aids Adjustment Committee were approved by the Education Committee at the November 14, 1958, meeting.

Bill #33,S contained the educational aids adjustment recommended by the Biennial Aids Adjustment Committee and was subsequently approved by the Educational Committee and the council. After a public hearing on the bill by the Joint Committee on Finance, no further action was taken.

The governor's proposal relative to state school aid established the basis for aids payment during the 1959-61 biennium. Chapter 402, Laws of 1959, provided for the following guaranteed valuations and flat aid payments.

Type of District	Guaranteed Valuation (in dollars)	Flat Aids Elementary	Flat Aids Secondary
1-8 Elementary:			
Basic	24,500	30	
Integrated	28,000	40	
Kindergarten or 1-12:			
Basic	24,500	30	40
Integrated	33,000	40	53
9-12 UHS:			
Basic	55,000		40
Integrated	70,000		53

It amended 40.71(1) computing state aids on average daily membership (adm) rather than ada. **Going from average daily attendance to average daily membership was a significant change in the general aid formula.** The average daily attendance called for the sum of days present (aggregate days attendance) of all pupils when school was actually in session during the year. The average daily membership (aggregate days membership) called for the sum of the days present and absent of all pupils when school was actually in session. The days absent during the period the student was a member of the district were counted in the formula. **This was a substantial increase in the student count for the payment of state aids.**

Proponents of the change cited a number of cases where it was more appropriate to receive credit for absent students. For example, a bus would stop to pick up a student, but the student was ill. The district had the same expenditure regardless of whether the child rode or not. The ill student was not counted, but the teacher's salary was the same whether the child was in class or not. Administrators, janitors, cooks, and others all received their pay regardless of the student attendance. During the fifties, ada represented approximately 92 percent of enrollment; membership represented 96 percent.

1959-60

Factors involved with the general state aid formula:

Districts Not Reorganized

1957 Equalized Valuation
1958 Levies
1958-59 Annual Report
1958-59 ada

Districts Reorganized

1957 Equalized Valuation
1959 Levies
3rd week in September 1959 ada
1959-60 Budget

Guaranteed Valuations

		Flat Aid
Integrated - 12 grade districts	$ 33,000/ada	$40 - $53
Integrated - 8 grade districts	$ 28,000/ada	$40
Basic - 12 grade districts	$ 24,500/ada	$30 - $40
Basic - 8 grade districts	$ 24,500/ada	$30
Integrated UHS	$ 70,000/ada	$53
Basic UHS	$ 55,000/ada	$40

The increase from $28,000 to $33,000 for integrated 12-grade districts was sizable, the increase from $23,500 to $28,000 in 1957 caused an increase of $9,500 in the two bienniums. Flat aid increases continued to be small in keeping the equalization principle. The largest increase was for the integrated 12-grade districts (a continuation of the incentive established in Chapter 600).

Statistical Data

Number of school districts.

Basic elementary school districts	2,359
Basic twelve grade school districts	12
Integrated UHS districts	66
Basic UHS districts	14
Integrated 8 grade districts	124
Integrated K-12 or 1-12 grade districts	322
	2,829
Closed	37
Total	2,934

Enrollments in public schools.

Rural	38,344
Graded	102,247
Elementary	364,097
High School	193,821
Total	698,509
ada	651,135
Resident ada	599,995
Nonresident ada	37,040
Nonaided ada	14,100

State Aid Payments.

Resident flat aid	$ 24,906,650.00
Resident equalization aid	$ 23,839,290.20
Nonresident Aid	$ 1,844,724.00
Excess cost Aid	$ 70,243.77
Total	$ 50,660,907.97

Equalization aid increased to where it was almost equal to flat aids. However, the number of districts receiving flat aids was still much greater than the number receiving equalization aids, indicating that the guaranteed valuation was still less than the actual property valuation/student in many districts.

Districts Receiving Equalization Aid.*

	Number	Amount
Integrated - 12	265	$ 21,229,493.51
Integrated - 8	43	$ 697,337.34
Basic - 8	789	$ 1,366,907.04
Basic - 12	5	$ 112,941.31
Integrated UHS	21	$ 434,837.85
Basic UHS	7	$ 68,016.92
Total*		$ 23,909,533.97

*Includes equalization aid plus excess cost aids.

1959-60 Operational Costs	$ 219,302,256.95
1957 Equalized Valuation	$16,251,569,635.00

1960-61

Factors involved with the general state aid formula:

Districts Not Reorganized

1958 Equalized Valuation
1959 Levies
1959-60 Annual Report
1959-60 ada

Districts Reorganized

1958 Equalized Valuation
1960 Levies
3rd week in September 1960 ada
1960-61 Budget

Guaranteed Valuations

				Flat Aid
Integrated -	12	grade districts	$ 33,000/ada	$40 - $53
Integrated -	8	grade districts	$ 28,000/ada	$40
Basic -	12	grade districts	$ 24,500/ada	$30 - $40
Basic -	8	grade districts	$ 24,500/ada	$30
Integrated UHS			$ 70,000/ada	$53
Basic UHS			$ 55,000/ada	$40

Statistical Data

Number of school districts.

Basic elementary school districts	1,823
Basic twelve grade school districts	5
Integrated UHS districts	58
Basic UHS districts	12
Integrated 8 grade districts	117
Integrated K-12 or 1-12 grade districts	328
	2,343
Closed	57
Total	2,400

Enrollments in public schools.

Rural	28,443
Graded	99,430
Elementary	395,893
High School	198,597
Total	722,363

ada	673,044
Resident ada	625,691
Nonresident ada	32,894
Nonaided ada	14,459

State Aid Payments.

Resident flat aid	$ 26,232,585.00
Resident equalization aid	$ 28,241,593.17
Nonresident aid	$ 1,619,357.00
Excess cost aid	$ 87,159.18
Total	$ 56,180,694.35

Districts Receiving Equalization Aid.*

	Number	Amount
Integrated - 12	274	$ 26,242,160.35
Integrated - 8	34	$ 717,770.95
Basic - 8	494	$ 980,190.65
Basic - 12	2	$ 68,599.19
Integrated UHS	18	$ 283,653.63
Basic UHS	4	$ 36,377.58
Total*		$ 28,328,752.35

*Includes excess cost aids.

1959-60 Operational Costs	$ 244,708,156.21
1957 Equalized Valuation	$17,123,806,500.00

1961 LEGISLATIVE SESSION

At the September 21, 1960, meeting of the Education Committee, 13 persons were appointed to serve on the Biennial Aids Adjustment Committee. The committee consisted of two legislative members of the Education Committee; three school board members; two county superintendents, and six school administrators.

Biennial Aids Adjustment Committee

W. A. Taege, Chairman, School Board Member, Rhinelander
M. C. Schmallenberg, Vice-chairman, School Administrator, Black River Falls
Thomas Crest, Secretary, School Board Member, Wisconsin Dells
W. W. Clark, Senate Member, Vesper
Einer P. Lund, Assembly Member, Menomonie
John Pederson, School Board Member, Milwaukee
Otto Neumann, County Superintendent, Oconto County, Gillett
A. C. Werth, County Superintendent, Marathon County, Wausau
Eugene Belongia, School Administrator, Brookfield
C. E. Jones, School Administrator, Beloit
Daryl K. Lien, School Administrator, Amery
Robert G. Petersen, School Administrator, Onalaska
Charles Wileman, School Administrator, Delavan

The committee worked closely with experts from the Department of Public Instruction, holding two meetings in 1960 to review the operation of the state aid formula and formulate recommendations for adjustments in the formula.

The committee reviewed its role under 40.71(1) of the statutes, which called for it to meet in even-numbered years prior to each legislative session and re-examine the guaranteed valuations specified in the statutes to see whether an adjustment was needed to reflect changes in equalized property valuations, school costs, and pupil enrollments.

In determining the adjustment, the committee considered two factors: (1) what is the average per pupil cost of education, and (2) what is a "reasonable" average local property tax rate for school purposes. The relationship between these factors indicated the extent to which the financial resources of various school districts kept pace with school costs and enrollments.

The committee recognized that during the past several years there had been consistent growth in the number of children attending public schools and a continued expansion of school programs and services. These developments obviously required increased school expenditure throughout the state, and school budgets went up accordingly. Unfortunately, the tax base upon which districts relied for financial support did not, in most cases, expand proportionately.

Prior to determining the precise guaranteed valuation figures, the committee discussed the extent to which the state should share in the cost of education. If the present formula was maintained, state support would drop from approximately 24 percent for 1959-61 to perhaps as low as 22.6 percent for 1961-63. The reduction would occur because property valuations would not keep pace with rising school costs and increased enrollments. After considerable discussion, the committee concluded that the state should increase its share of support for public education.

The Biennial Aids Adjustment Committee's recommendation to the Education Committee regarding guaranteed valuations and flat aids payment was as follows:

Type of District	Guaranteed Valuation Elementary	Guaranteed Valuation Secondary	Flat Aids Elementary	Flat Aids Secondary
1-8 Elementary:				
Basic	24,500	24,500	30	30
Integrated	28,000	29,000	40	45
Kindergarten or 1-12:				
Basic	24,500	24,500	40	40
Integrated	33,000	38,000	53	60
9-12 UHS:				
Basic	55,000	55,000	40	40
Integrated	70,000	75,000	53	60

A bill containing the school aids adjustment recommended by the Biennial Aids Adjustment Committee was approved and submitted to the Legislative Council by the Education Committee. The council deferred action on the recommendation, and the proposal was subsequently introduced as Bill 89A by an assembly member in the interim education committee. The bill was withdrawn from the Joint Finance Committee and returned to its author. The Education Committee's proposal anticipated an expenditure of $141,710,000 for the 1961-63 biennium; this exceeded by $37,310,000 the 1959-61 aid payment.

The 1961-63 executive budget bill (which was enacted and became Chapter 191, Laws of 1961) appropriated $124,710,000 for school aids for 1961-63. This was the amount requested by the Department of Public Instruction and was based on the 1959-61 statutory state aid formula. The increase of $20,310,000 over the $104,400,000 paid in aids during the 1959-61 biennium reflected higher school costs and larger enrollments.

The Department of Public Instruction established all of its budget requests on the latest statutory guaranteed valuations. It was established at that level only as a base, until the legislature changed the guarantee. To say this was the Department's request and use that as an excuse not to change the guarantee was not well accepted in the educational community.

This was the first legislative session that did not make some adjustment in the guaranteed valuations for the general aid program.

Other Legislation Impacting Upon the State Aid Formula.

Chapter 120, Laws of 1961, published June 13, 1961, provided for payment of state aids for a period of two years to newly created school districts for high school pupils placed on a tuition basis owing to insufficient building facilities.

Chapter 306, Laws of 1961, published July 28, 1961, amended 40.71(1) of the Wisconsin statutes regarding the recommendations made for adjustment of the guaranteed valuation. This allowed the committee to recommend an annual or biennial guaranteed valuation per resident pupil/ada. During the years beginning in the 1949-51 biennium and running through the 1959-61 biennium, the guaranteed valuation recommendation by the Biennial Aids Adjustment Committees and legislative action provided for a guaranteed valuation for a two-year period. This action made it possible to have a different guarantee for each year of the biennium.

Chapter 572, Laws of 1961, published October 20, 1961, granted school districts the authority to conduct summer schools and establish a system of state aids for such summer schools. This act created Section 40.99(5) - state aids for summer school - and read:

1. Aids for summer classes shall be incorporated in the aids for regular classes under 40.68 to 40.71 (the general state aid formula).

2. For the purpose of computing aids, the total number of accredited classroom or laboratory periods in which each pupil is enrolled as determined by multiplying the total number of periods in each day in which such pupil is enrolled by the total number of days in which enrolled, shall be divided by 720 andthe resulting fraction shall represent the proportion of a pupil in adm for which the district shall be credited for state aid purposes.

The figure 720 was established on the basis of a school year of 180 days with four periods each day, making the summer school eligibility comparable to the regular year.

1961-62

Factors involved with the general state aid formula:

Districts Not Reorganized

1959 Equalized Valuation
1960 Levies
1960-61 Annual Report
1960-61 adm

Districts Reorganized

1959 Equalized Valuation
1961 Levies
3rd week in September 1961 adm
1961-62 Budget

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$33,000/ada	$40 - 53
Integrated	-	8	grade districts	$28,000/ada	$40
Basic	-	12	grade districts	$24,500/ada	$30 - 40
Basic	-	8	grade districts	$24,500/ada	$30
Integrated UHS				$70,000/ada	$53
Basic UHS				$55,000/ada	$40

The same guaranteed valuations and flat aid payments were used in 1961-62 and 1962-63 as were in effect during the 1959-60 and 1960-61 fiscal years.

Statistical Data

Number of school districts.

Basic elementary school districts	1,360
Basic twelve grade school districts	2
Integrated UHS districts	54
Basic UHS districts	10
Integrated 8 grade districts	105
Integrated K-12 or 1-12 grade districts	331
	1,862
Closed	48
Total	1,910

Enrollments in public schools.

Rural	20,999
Graded	85,191
Elementary	429,113
High School	216,987
Total	752,290

adm	700,818
Resident adm	659,352
Nonresident adm	28,288
Nonaided adm	13,178

State Aid Payments.

Resident flat aid	$ 28,016,568.00
Resident equalization aid	$ 33,195,362.20
Nonresident aid	$ 1,356,661.00
Excess cost aid	$ 2,141,96
Total	$ 62,570,733.16

Districts Receiving Equalization Aid.*

	Number	Amount
Integrated - 12	280	$ 31,962,778.74
Integrated - 8	21	$ 416,954.71
Basic - 8	278	$ 533,137.44
Integrated UHS	17	$ 251,155.48
Basic UHS	4	$ 33,477.76
Total*		$ 33,197,504.76

*Includes equalization aid plus excess cost aids.

1961-62 Operational Costs	$ 270,232,778.97
1959 Equalized Valuation	$17,903,035,800.00

1962-63

Factors involved with the general state aid formula:

Districts Not Reorganized

1960 Equalized Valuation
1961 Levies
1961-62 Annual Report
1961-62 adm

Districts Reorganized

1960 Equalized Valuation
1962 Levies
3rd week in September 1962 adm
1962-63 Budget

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$ 33,000/ada	$40 - 53
Integrated	-	8	grade districts	$ 28,000/ada	$40
Basic	-	12	grade districts	$ 24,500/ada	$30 - 40
Basic	-	8	grade district	$ 24,500/ada	$30
Integrated UHS				$ 70,000/ada	$53
Basic UHS				$ 55,000/ada	$40

This was the fourth year that the same guaranteed valuations and flat aids were used to determine state aid payments to local school districts.

Statistical Data

Number of school districts.

Basic elementary school districts	366
Basic twelve grade school districts	1
Integrated UHS districts	46
Basic UHS districts	10
Integrated 8 grade districts	82
Integrated K-12 or 1-12 grade districts	338
	843
Closed	22
Total	865

Enrollments in public schools.

Rural	3,862
Graded	52,441
Elementary	493,826
High School	233,750
Total	783,879

adm	728,295
Resident adm	714,590
Nonresident adm	8,237
Nonaided adm	5,467

State Aid Payments.

Resident flat aid	$ 31,227,998.00
Resident equalization aid	$ 39,731,027.64
Nonresident aid	$ 352,385.00
Excess cost aid	$ 53,300.09
Total	$ 71,364,710.73

Districts Receiving Equalization Aid*.

	Number	Amount
Integrated - 12	293	$ 39,172,179.10
Integrated - 8	15	$ 279,054.28
Basic - 12	1	$ 4,375.39
Basic - 8	47	$ 117,049.15
Integrated UHS	12	$ 175,451.22
Basic UHS	4	$ 36,218.59
Total*	372	$ 39,784,327.73

1962-63 Operational Costs	$ 299,813,483.26
1960 Equalized Valuation	$18,793,803,900.00

In the 1959 legislative session, Senators William W. Clark and Henry W. Maier, members of the Interim Education Committee, introduced Senate Bill 48, which became Chapter 563, Laws of 1959. This act required all school districts in the state contain a high school before July 1, 1962. This caused a great deal of reorganization during the three-year period.

Number of School Districts

	1959-60	1960-61	1961-62	1962-63
Basic-8	2,359	1,823	1,360	366
Integrated-8	124	117	105	82
Basic-12	12	5	2	1
Integrated-12	322	328	331	338
Basic UHS	14	12	10	10
Integrated UHS	66	58	54	46
Closed	37	57	48	22
Total	2,934	2,400	1,910	865

The act's importance can be seen in the reduction of Basic-8 districts from 2,359 in 1959-60 to 366 in 1962-63 (most of these districts were one-room, grades 1-8 districts), as indicated in the following table.

The incentive feature, which provides greater state support for integrated classified districts and K-12 or 1-12 grade districts over union high schools, also improved educational offerings through school district reorganization.

Districts Receiving Equalization Aid

	1959-60	1960-61	1961-62	1962-63
Integrated K-12 or 1-12	265	274	280	293
Integrated K-12 or 1-8	43	34	21	15
Basic K-8 or 1-8	789	494	278	47
Basic K-12 or 1-12	5	2	0	1
Integrated UHS	21	18	17	12
Basic UHS	7	4	4	4
Total	1,130	826	600	372

Integrated K-12 or 1-12 district numbers increased from 265 to 293 during this period, while K-8 or 1-8 increased from 43 to 150. With integrated UHS dropping from 21 to 12, many districts reorganized from UHS and separate elementary districts to K-12 or 1-12 districts.

1963-67: "THE COMMITTEE OF 25"

Joint Resolution No. 72A, 1963, created the "committee of 25" to survey appropriate measures by which the people of Wisconsin could be assured that expenditures for state and local government would remain within the capacity of the taxpayer and be used most efficiently.

The "Committee of 25" joint resolution reads as follows:

> Whereas, the portion of the total income of Wisconsin citizens being devoted to public purposes, both state and local, has shown a phenomenal increase; and
>
> Whereas, the amount of such income devoted to public purposes has increased alarmingly when compared to increases in the state's prosperity; and
>
> Whereas, this alarming condition perils the future of the state and the fulfillment of necessary governmental functions; and
>
> Whereas, it is the intent to establish a committee of responsible citizens to survey appropriate measures by which the people of Wisconsin can be assured that expenditures for state and local government will remain within the capacity of the taxpayer and will be used most efficiently; now, therefore, be it Resolved by the assembly, the senate concurring, That there is hereby created a "Committee of Twenty-five" composed of 25 responsible and public-spirited laymen. The 25 laymen shall be chosen by the joint legislative council for the duration of the assignment and shall represent all areas of the state, all economic groups and varied political persuasions. The speaker of the assembly, the president pro tempore of the senate, the majority and minority leaders of the senate and assembly, and the 2 chairmen of the joint committee on finance shall be ex officio members of the committee, with full voting power in addition to 25 laymen.
>
> (1) Bylaws. The committee shall first meet at the call of the chairman of the joint legislative council. It shall thereupon establish bylaws for its organization and operation consistent with the following requirements.
>
> (2) Compensation. Members of the committee shall receive no remuneration, but shall be paid their actual and necessary expenses incurred in the performance of their duties.
>
> (3) Organization. The committee may, when its task is clear, establish subcommittees or task forces to gather data and prepare summaries and conclusions on specific phases of the problem.
>
> (4) Staff. The committee may select an executive secretary and such other technical and clerical personnel, outside the classified service, as are required to effectuate the program and

shall use the resources of the committee on legislative organization and procedure.

(5) Reports. The committee shall report the status of its deliberations on September 1, 1963, January 1, July 1, and October 1, 1964, and upon the commencing of the 1965 legislature, to the legislature.

(6) Duties of the committee. The committee shall, without limitation because of the enumeration, concern itself with 5 broad areas of endeavor:

- (a) The proper objectives of state government as a guide to the extensiveness and intensiveness of state government activities.
- (b) The appropriateness of present shared tax and state aid concepts.
- (c) Evaluation of the level of taxes as a guide to the limit of expenditures which our economy can sustain.
- (d) The operation of automatic increases in state budgets as they affect the general level of state expenditures.
- (e) The operation of state government in the fields of education, public welfare, highways and construction as a means of determining what are the essential costs and what is the level of operation which can be justified as effective and within our capacity to provide.

(7) Administration. The committee shall be attached to the legislative council for administrative purposes.

Committee members are appointed by the Legislative Council and represented all areas of the state, various groups, and different political persuasions.

In addition to the 25 citizen members on the Committee, the study resolution directed that 8 legislators serve in an ex officio capacity. These legislators included the speaker of the assembly, the president pro tem of the Senate, the majority and minority leaders in each house and the co-chairman of the Joint Committee on Finance.

MEMBERSHIP ON "COMMITTEE OF 25"

Frederick N. Trowbridge, Chairperson, Green Bay
Walter J. Burke, Vice-Chairperson, Oshkosh

Education Subcommittee

Richard D. Cudahy, Chairperson, Milwaukee
John Bosshard, Bangor

Earl W. Hammill, Racine
Donald James, Pardeeville
W E. Schneider, Vice Chairperson, Oshkosh
Mrs. Henry Lardy, Madison
Warren Leary, Rice Lake
Mrs. John Varda, Madison

Health and Welfare Subcommittee

Richard Harding, Chairperson, New Richmond
Francis J. Conway, Thorp
William Froelich, Jr., Saynor
Stanley Gregory, Milwaukee
Tom Fitzgerald, Vice Chairperson, New London
Richard Metcalf, Glen Haven
John F. Murray, River Falls

State and Local Fiscal Policies Subcommittee

Sam Casey, Chairperson, Port Edwards
Roger A. Baird, Neenah
Carl J. Barbee, Kenosha
John Best, Milwaukee
Clarence H. Lichtfeldt, Vice Chairperson, Thiensville
Edgar J. Fransway, Milwaukee
Thomas D. Lyons, Milwaukee
Abe Swed, Milwaukee

Legislative Members

Senator Walter G. Hollander, Rosendale
Senator Robert P. Knowles, New Richmond
Representative Paul R. Alfonsi, Minocqua
Representative Glen E. Pommerening, Milwaukee
Senator Frank E. Panzer, Brownsville
Senator Richard J. Zaborski, Milwaukee
Representative Robert D. Haase, Marinette
Representative Robert T. Huber, West Allis

COMMITTEE MANDATES

The committee held an organizational meeting on July 25-26, 1963, at which time the chairperson divided the committee into three subcommittees, each delegated specific responsibilities for analyzing various phases of the committee assignment, as follows:

(1) The Subcommittee on Education was directed to study post-secondary education institutions and the formula for state aid to elementary and secondary education.

(2) The Subcommittee on Health and Welfare was directed to study public welfare institutions and public assistance programs.

(3) The Subcommittee on State and Local Fiscal Policies was directed to analyze the state building program, state debt requirements, and other matters relating to fiscal review and control, state and local government organization, legislative services, and related matters.

The subcommittee on education received statistical data and other information from the Legislative Council staff and the staff of the Wisconsin Taxpayers Alliance, the state Department of Public Instruction and a number of statewide educational organizations and taxpayer groups. The research conducted on the formula for state aids to elementary and secondary school districts was done by two very competent and experienced researchers, Bonnie Reese of the Legislative Council and Dr. C. K. Alexander of the Taxpayers Alliance.

EDUCATION SUBCOMMITTEE RECOMMENDATIONS

The Education Subcommittee made the following recommendations:

1. **Continue the present method of distributing equalization and programs and reorganization incentives**

The committee agreed that the cost of educating elementary and secondary students, and the resulting burden upon public revenues, could not be eliminated or modified merely by shifting the source of revenues from one governmental unit or tax to another. It felt it was inappropriate to advise the legislature as to the precise dollar amount or the specific percentage of the exectuive budget the state should devote to support local schools.

The committee concluded that once the legislature allocated available funds among various state activities, the school aid formula was (1) an effective mechanism for implementing the legislative decision about the total amount of state aid used to support local schools and (2) an equitable device for distributing state funds among local districts.

The committee made recommendatons for modification in the formula that were intended to strengthen legislative controls over the efficiency of school operations and which contained a suggestion for further study of the formula.

In response to the charge that the state aid formula caused "excessive" spending, the committee, in applying the most relevant statistical tool, found no consistent correlation between per-pupil costs and the percentage of state aid received by the districts. High per pupil costs did not correlate positively with high levels of state aid; state aid, in turn, was primarily dependent on a high local tax levy (indicating strong local effort) and low equalized valuation in the district (indicating low local capacity to pay). As might be expected, equalized value per pupil had a significant bearing on the level of costs, particularly in flat aid districts with high valuations. However, in districts with comparatively low valuations, the correlation between cost and wealth (as represented by the property tax base) was reduced because the state, in effect, supplemented the local valuation base.

The committee endorsed the equalization component of the formula and found that it produced a reasonable degree of equality among school districts with respect to the local tax effort required to support given educational programs. The equalization factor in the formula contributed to its complexity, but it seemed foolish to seek simplicity by destroying this most significant function of the formula.

The committee also supported continuing the incentive features of the formula to encourage districts to improve their programs and to organize into the most efficient units possible.

2. Strengthen legislative control over efficiency of school districts

Without improving controls over local schools, the committee believed the state must have adequate controls over factors in the formula which determined the level of state contribution to local school costs.

In addition, the committee felt the state should establish proper standards for districts receiving state aid to assure that the funds devoted to public education were used efficiently.

The committee endorses three specific proposals designed to strengthen legislative control over the utilization of state funds for the support of elementary and secondary education, as follows:

(1) Establish a minimum high school pupil/teacher ratio of 17:1. One of the major factors in school costs (irrespective of the state's share in such costs) is the pupil/teacher ratio. This factor is closely interrelated with the size of the school; in general, the smaller the school, the lower the pupil/teacher ratio and vice versa. Small enrollments and low pupil/teacher ratios are, in general, characteristics of high cost districts, particularly secondary school costs in such districts. Since instructional costs represent about 73 percent of the total current operational costs for a given salary level, the lower the pupil/teacher ratio, the higher the cost per adm.

The legislature could exercise little direct control over districts that incur high costs because of small enrollments and low pupil/teacher ratios.

The committee proposed that this situation be corrected and that the aid formula be resolved to discourage the perpetuation of these uneconomical units. The committee recommended the establishment of a minimum high school pupil/teacher ratio of 17:1, with a proportionate reduction in state aid to districts failing to achieve the minimum. Assembly Bill 538 established a minimum teacher/pupil ratio of 17:1 in high school, with a loss of aids if exceeded. The bill was adopted by the assembly but was later rejected.

(2) Raise minimum local mill levy rate requirements from 3 to 5 mills for 1-8 and 9-12 grade districts. The committee found that, on the average, high schools in districts organized on a K-12 basis had larger enrollments and higher teacher/pupil ratios than did separate 9-12 districts; almost half of the elementary districts within UHS districts were either one-room or two-room schools with very low enrollments. The committee felt that these districts should be encouraged to reorganize into larger, more efficient units and suggested that a minimum local effort requirment of 5 mills might be the encouragement needed. This proposal was embodied in Assembly Bill 544, which was referred for passage on the third reading in the assembly, but the assembly refused passage.

(3) Eliminate the Biennial Aids Adjustment Committee and transfer its duties to the Education Committee of Legislative Council. Chapter 659 repealed 40.71(1) and created section 13.83 - permanent council committees - one of which was the Education Committee; it took over the duties previously delegated to the Biennial Aids Adjustment Committee.

3. **State school aid payments should be based on current costs and enrollments, rather than on year-old costs and enrollments.**

Chapter 261 provided that the general state aid formula be based on current membership, costs, and the prior year's equalized valuation.

The elimination of the Biennial Aids Adjustment Committee and the current aid bill were the only recommendations regarding the general aid formula passed by the legislature.

1963 LEGISLATIVE SESSION

At the March 2, 1962, meeting of the Education Committee, the following 14 people were appointed to serve on the Biennial Aids Adjustment Committee:

Walter B. Calvert, Chairperson, Assemblyman, Benton
Daryl K. Lien, Vice Chairperson, School Administrator, Amery
Lloyd Qualley, Secretary, School Administrator, New London
Senator Horace Wilkie, Madison*
Cedric King, School Board Member, Cuba City
Wilma Neath Lauterbach, School Board Member, Delavan**
Ole Resmon, School Board Member, Eagle River
Otto Neumann, County Superintendent, Gillette
Matt Knedle, County Superintendent, Wisconsin Rapids
Len Brittelli, School Administrator, Beloit
Allen H. Erickson, School Administrator, Salem**
Edward A. Kromey, School Administrator, Middleton
Ludwig A. Peterson, School Administrator, Portgage
Robert C. Petersen, School Administrator, Viroqua

*Senator Casimir Kendzororski, Milwaukee was appointed to replace Senator Wilkie, who had been appointed to fill a vacancy on the State Supreme Court.
**Lauterbach and Erickson resigned from the committee prior to the completion of the study. Donald O'Melia was appointed to replace Lauterbach.

The Aids Adjustment Committee held three meetings, devoting its time to an intensive and thorough review of the state support formula and the need for an adjustment in the formula at this time. It relied on factual material and data supplied by the Department of Public Instruction.

Over the years, school costs had risen for a variety of reasons: consistent growth in the number of children attending public schools; continued improvement of school programs and expansion of services; inflation; and higher teacher salaries. School budgets throughout the state reflected the impact of these factors. Unfortunately, in most cases districts relied for financial support on tax bases that had not expanded proportionately.

From 1954-55 to 1963-64, the integrated K-12 or 1-12 grade districts' per-pupil costs increased 56 percent while the average daily attendance increased 63 percent. During the same period, equalized valuation increased from $12 billion to $19.7 billion, 64 percent. The rate of increases in valuation slowed down, while school costs increased at about the same rate.

The question regarding the state's share surfaced, as it had in each of the previous sessions.

It was pointed out that under the present formula state support represented approximately 24 percent of the cost of elementary and secondary education. Recognizing the heightened demands on educational facilities, local financial resources, and for expanded programs and services, the committee believed that the state should provide greater aiding to local districts to meet these needs. The committee also believed the situation was possibly aggravated by the 1961 legislature's failure to make any adjustments in the aid formula. Since the percentage of state support was reduced, the committee heard testimony that the local property tax was forced to shoulder the increased burden of school costs.

Of the total adm in 1960-61 (base used for aid payments in 1961-62), 91.7 percent was found in school districts qualifying for state aids on the integrated level. Of the 91.7 percent in integrated programs 82.36 percent of the children were in districts offering a K or 1-12 grade programs. Of the total adm, 8.29 percent attended school programs qualifying for basic aids. The trend showed a diminishing percentage of children in the basic programs and a raising percentage in the integrated programs.

Since Chapter 306, Laws of 1961, granted the committee the authority to recommend different guaranteed valuations for each year of the biennium, it decided to make its adjustment on an annual basis. Thus, the costs could be estimated for each year of the biennium, rather than using the midpoint of the biennium to estimate average current school costs for the two-year period. This would do away with the escalation effect of past adjustments and permit a more gradual and normal change, so that each years' payments would reflect the actual costs more accurately.

The committee also discussed another item related to the required operating levy tax rate. Using the K-12 or 1-12 integrated aid districts, it was pointed out that the average required operating levy rate was 11.19 mills in 1959-60 and 11.4 mills in 1960-61; it was 11.97 mills in 1961-62 and 12.6 mills in 1962-63. This was an increase in the average required operational levy rate of 1.41 mills over the three-year period.

Guaranteed valuations should be established using a reasonable required operating levy rate to produce adequate dollars to support the school program. The required operating levy tax rate is determined by dividing the net operating cost/pupil by the guaranteed valuation/pupil. In arriving at an adjustment in the guaranteed valuation, the committee used the net cost/pupil; by setting the levy rate at what it believed was a reasonable figure, the committee arrived at the guaranteed valuation needed to maintain a given levy rate.

According to figures prepared by the Department of Public Instruction, if guaranteed valuations were not increased, the average operational levy rate would have increased to 13.12 mills in 1963-64. In order to maintan an average of 11.97 mills (the rate in 1961-62), the valuation needed to be increased to $36,174 per pupil in 1963-64 and $37,761 in

1964-65. A mill rate of 11.4 mills would have required a guarantee of $37,982 for 1963-64 and $39,649 for 1964.65.

The committee decided that an average required levy rate of approximately 11.4 mills for integrated K-12 or 1-2 grade districts was reasonable. It, therefore, decided to recommend a guaranteed valuation/adm of $38,000 for 1963-64 and $40,000 for 1964-65.

Committee Recommendations for 1963-65 Aids

Type of District	Guaranteed Valuations in Dollars 1963-64	 1964-65	Flat Aids (in dollars)
1-8 Elementary:			
Basic	24,500	24,500	30
Integrated	29,000	30,000	45
Kindergarten or 1-12:			
Basic	24,500	24,500	30-40
Integrated	38,000	40,000	45-60

The Education Committee approved the Aids Committee recommendation and submitted it to the council. Bill No. 4A, as amended, was enacted and became Chapter 564, Laws of 1963. This bill contained the school aids adjustment recommended by the Biennial Aids Ajdustment Committee and approved by the Education Committee and the Legislative Council. Substitute amendment No. 5A, as adopted, raised the maximum mill levy from 15 to 17 mills, and the adjustment in guaranteed valuations and flat aids were modified.

A Comparision of the Guaranteed Valuations for 1961-63

Bill No. 4A, and Chapter 564
(in dollars)

	1961-63	Bill No. 4A 1963-64	Bill No. 4A 1964-65	Chapter 564 1963-64	Chapter 564 1964-65
1-8 Elementary:					
Basic	24,500	24,500	24,500	24,500	24,500
Integrated	28,000	29,000	30,000	28,000	28,500
K-12 or 1-12:					
Basic	24,500	24,500	24,500	24,500	24,500
Integrated	33,000	38,000	40,000	33,000	34,000
9-12 UHS:					
Basic	55,000	55,000	55,000	55,000	55,000
Integrated	70,000	75,000	80,000	70,000	72,000

A Comparison of Flat Aids for 1961-63, Bill No. 4A, and Chapter 564
(in dollars)

	1961-63	Bill No. 4A	Chapter 564
1-8 Elementary:			
Basic	30	30	40
Integrated	40	40	40
K-12 or 1-2:			
Basic Elementary	30	30	30
Basic High School	40	40	40
Integrated Elementary	40	45	42
Integrated High School	53	60	55
UHS:			
Basic	40	40	40
Integrated	53	60	55

The legislature did not accept the recommendations made by the Biennial Aids Adjustment Committee, the Education Committee, or the Legislative Council. It made no adjustment in the guaranteed valuation or in the flat aid payments for 1963-64 and only a slight increase for 1964-65.

To compensate for the lack of action by the legislature in keeping the guaranteed valuations current with increasing membership and costs, Chapter 564 increased the required operational levy rate limit for integrated K-12 grade districts from 15 to 17 mills. This action obligated the state to pay excess cost aids when the required levy rate exceeded 17 mills rather than 15.

The legislature either had to increase the guaranteed valuation for integrated K-12 or 1-12 grade districts or the operational levy limit. If not, the state would be paying large sums of excess cost aids because the guaranteed valuation remained at $33,000/adm for five years (1959-60 through 1963-64). They chose to increase the levy limit, as demonstrated in the following tables:

Increased Levy Limit

	Guaranteed Valuation (in dollars)	Net Operating Cost (in dollars)	Average Required Levy Rate (in mills)
1959-60	33,000	369	11.19
1960-61	33,000	376	11.40
1961-62	33,000	395	11.97
1962-63	33,000	416	12.60
1963-64	33,000	455	13.79

Excess Cost Aid Payments
(in dollars)

	Guaranteed Valuation	Excess Aids*
1958-59	28,000	302,401
1959-60	33,000	70,244
1960-61	33,000	87,159
1961-62	33,000	2,142
1962-63	33,000	53,300
1963-64	33,000	707,357
1964-65	34,000	22,577

*The reduction in 1961-62 and modest increase in 1962-63 was because of legislation requiring all areas in the state belong to a district operating a high school. This reduced the number of smaller districts with high costs.

During 1963-64, the average required levy rate for integrated K-12 or 1-12 grade districts was 13.79 mills. The range of rates was 3.62 mills for Cassville and 19.88 mills for Drummond. The average rate of 13.79 caused a number of districts to exceed the 15-mill limit. The increase in the 1964-65 guaranteed valuation of $1,000 and the levy limit

(2 mills) was instrumental in reducing excess aids from $707,357 in 1963-64 to $22,577 in 1964-65.

Chapter 147, Laws of 1963, published July 5, 1963, provided for school districts to contract with public elementary schools outside the state. The tuition payments were considered a part of the cost of instruction in such districts, and the district of residence was credited with the adm for general state aid purposes. **This was the first occasion that a student's tuition costs and the adm were included as a part of the formula. This action was limited to elementary students enrolled in an out-of-state school district.**

No provision was made for in-state tuition to be made part of the formula, nor was there any provision for high school tuitions.

Chapter 85, Laws of 1963, published June 7, 1963, amended section 38.16(1)(b). Section 38.16(1)(b) of the stats. limited the tax levy rate for the operational expenditures for the Milwaukee school district to 9.5 mills in 1960, 10.0 mills in 1961, 10.5 mills in 1962, and 11.0 mills in 1963. As amended, it increased the tax levy for the Milwaukee school district to 11.5 mills in 1965, 12.0 mills in 1966, 12.5 mills in 1967, 13.0 mills in 1968, 13.5 mills in 1969, 14.0 mills in 1970, 14.5 mills in 1971, and 15.0 mills in 1972.

Beginning in 1972, the Milwaukee school district would have the same tax limitation as all other integrated 12-grade districts.

1963-64

Factors involved with the general state aid formula:

Districts Not Reorganized

1961 Equalized Valuation
1962 Levies
1962-63 Annual Report
1962-63 adm

Districts Reorganized

1961 Equalized Valuation
1963 Levies
3rd week in September 1963, adm
1963-64 Budget

Guaranteed Valuations

		Flat Aid
Integrated 12	$33,000	$40 - 53
Integrated 8	$28,000	$40
Basic 12	$24,500	$30 - 40
Basic 8	$24,500	$30
Integrated UHS	$70,000	$53
Basic UHS	$55,000	$40

The guaranteed valuations and flat aid payments remained at the same level for the years 1959-60 through 1963-64. This transferred a larger percentage of the increased cost of education to the property tax in local school districts, lessening the state's share of those costs to during this period.

Statistical Data

Number of school districts.

Basic 8	255
Integrated 8	74
Basic 12	1
Integrated 12	348
Basic UHS	8
Integrated UHS	39
	725
Closed	13
Total	738

Enrollments in public schools.

Rural	2,362
Graded	43,577
Elementary	520,105
High School	251,072
Total	817,116
adm	758,858
Resident adm	742,228
Nonresident adm	6,539
Nonaided resident adm	10,091

State Aid Payments.

Resident flat aid	$ 32,581,534.00
Resident equalization aid	43,935,916.62
Nonresident aid	278,357.00
Excess cost aid	707,357.35
Total	$ 77,503,164.97

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 12	301	$ 44,236,211.22
Integrated - 8	12	176,871.27
Basic - 8	33	82,124.27
Basic - 12	1	3,417.19
Integrated UHS	8	122,189.63
Basic UHS	2	22,460.39
Total	357	$ 44,643,273.97
1963-64 Operational Costs		$ 324,074,219.62
1961 Equalized Valuation		$19,673,505,300.00

1964-65

Factors involved with the general state aid formula:

Districts Not Reorganized

1962 Equalized Valuation
1963 Levies
1963-64 Annual Report
1963-64 adm

Districts Reorganized

1962 Equalized Valuation
1964 Levies
3rd week in September 1963, adm
1964-65 Budget

Guaranteed Valuations

		Flat Aid
Integrated 12	$34,000	$42 - 55
Integrated 8	$28,500	$42
Basic 12	$24,500	$30 - 40
Basic 8	$24,500	$30
Integrated UHS	$72,000	$55
Basic UHS	$55,000	$40

1964-65 offered the first increase in guaranteed valuations and flat aids in six years: there was an increase in integrated districts of $1,000/adm for 12-grade, $500/adm for 8-grade, and $2,000/adm for UHS; there was also a flat aid payment increase of $2/adm for integrated districts.

Statistical Data

Number of school districts.

Basic 8	208
Integrated 8	72
Basic 12	1
Integrated 12	353
Basic UHS	6
Integrated UHS	35
	675
Closed	8
Total	683

Enrollments in public schools.

Rural	1,695
Graded	41,258
Elementary	544,318
High School	259,747
Total	847,018
adm	788,444
Resident adm	768,325
Nonresident adm	5,606
Nonaided resident adm	14,513

State Aid Payments.

Resident flat aid	$ 35,332,093.00
Resident equalization aid	49,187,794.71
Nonresident aid	243,690.00
Excess cost aid	22,577.47
Total	$ 84,786,155.18

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 12	304	$ 48,780,578.49
Integrated - 8	11	189,096.25
Basic - 8	24	57,536.81
Integrated UHS	8	169,920.63
Basic UHS	1	13,240.00
Total	348	$ 49,210,372.18
1964-65 Operational Costs		$ 346,450,944.94
1962 Equalized Valuation		$20,508,437,320.00

Legislative action caused all areas in the state to become part of a school district with a high school; this had a significant impact upon the number of nonresident students in Wisconsin, as the following table shows:

Year	Nonresident Students
1951-52	51,948
1953-54	53,755
1955-56	45,376
1957-58	39,198
1959-60	37,040
1960-61	32,884
1961-62	28,288
1962-63	8,237
1963-64	6,539
1964-65	5,606

1965 LEGISLATIVE SESSION

The Biennial Aids Adjustment Committee in 1964 included the following members:

Representative Walter B. Calvert, Chairperson, Benton
Daryl L. Kein, Vice Chairperson, School Administrator, Amery
Mrs. Velma Schurch, School Board Member, Mount Horeb
Senator Holger B. Rasmussen, Spooner
C. R. Gilbertson, School Board Member, Janesville
Walter Rilling, School Board Member, Merton
Otto Neuman, County Superintendent, Gillett
Michael S. Kies, County Superintendent, Milwaukee
Len A. Britelli, School Administrator, Beloit
Charles Hub, School Administrator, Shawano
T. J. Kitze, School Administrator, Lake Geneva
Richard Manske, School Administrator, Delavan
John Prasch, School Administrator, Racine

The State Aids Adjustment Committee held three meetings, devoting all of its time to a review of the Wisconsin state support program.

In determining what adjustment should be made, the committee considered valuations, costs, and enrollments in light of two factors: (1) What was the average per-pupil cost of education and (2) What was a "reasonable" average local property tax rate for school purposes?

They found that the cost of education had experienced a constant rate of increase over recent years. The average annual increase had been approximatey $20-22/pupil. The following shows the average daily membership, the cost of operation (exclusive of transportation), and the cost/adm for the years 1954-55 through 1963-64.

Year	Average Daily Membership	Cost of Current Operation (in dollars)	Cost per adm
1954-55	554,309	146,797,680	264.83
1955-56	572,169	160,055,267	279.73
1956-57	589,380	174,730,960	296.47
1957-58	603,731	193,268,629	320.12
1958-59	631,850	214,172,669	338.96
1959-60	651,135	234,623,609	360.33
1960-61	673,044	258,326,985	383.82
1961-62	700,818	284,064,096	405.33
1962-63	728,295	311,444,040	427.63
1963-64	758,858	337,703,241	445.01

Before proposing precise guaranteed valuation figures, the aids committee discussed the state's share in the cost of public elementary and secondary education. State support of total school operating costs (including transportation) was 25.5 percent in 1963-64. The following table shows state aids as a percentage of operational costs for the previous ten years:

Year	Local Cost of School Operations (in dollars)	State's Share of Local Costs (in dollars)	State's Share of Local Costs (in dollars)
1954-55	156,020,211	26,608,943	17.1
1955-56	170,235,148	31,079,226	18.2
1956-57	186,021,052	34,115,494	18.3
1957-58	205,597,106	42,660,767	20.7
1958-59	227,662,138	45,713,573	20.1
1959-60	248,456,239	59,327,982	23.9
1960-61	273,635,602	65,650,244	24.0
1961-62	301,240,817	73,698,027	24.5
1962-63	331,520,804	83,632,712	25.2
1963-64	358,985,593	92,579,734	25.8

On the subject of school costs, the committee noted that one of the major findings of the subcommittee on education of the Committee of 25 was that there was no consistent relationship between per pupil costs and the percentage of state aid to various districts. Therefore, high per pupil costs do not correlate positively with high levels of state aid, and state aid, in turn, seem to be primarily dependent on a high local tax levy (indicating strong local effort) and low equalized valuation in the district (indicating low local capacity to pay.) High per pupil costs are due, in general, to factors other than the amount of state aid received by the district.

The committee discovered that 82.3 percent of the total equalization and flat aids distributed to local districts in 1963-64 went to equalization aid districts while 17.7 percent went to flat aid districts. Of the total adm upon which this aid was based, 58.1 percent was found in equalization aid districts and 41.9 percent in flat aid districts. The committee also learned that a rising number and percentage of pupils were in the higher aid classification (integrated districts). In 1963-64, 732,655 students (97.8 percent) were attending school in integrated districts.

A considerable reduction in the number of districts had occurred over the previous decade. In 1963-64, 91.6 percent of the total adm in the state was found in K-12 or 1-12 districts, 5.9 percent in 1-8 districts, and 2.5 percent in UHS districts. Of the total districts in 1963-64 (738), 47.3 percent were organized on a K-12 or 1-12 basis, 46.3 percent were operating only grades 1-8, and 6.4 percent were UHS districts.

Since 81.4 percent of the total elementary and high school general aid payments were made to integrated K-12 or 1-12 equalization aid districts, the committee decided to concentrate on this category when discussing possible guaranteed valuation adjustments.

Using the K-12 equalized districts, the required operating tax levy rate under the 1961-63 statutory formula was 12.06 mills in 1961-62 and 12.58 mills in 1962-63. The rate increased to 12.94 mills in 1963-64 and 13.03 mills in 1964-65. Projections for 1965-66 and 1966-67, if the guaranteed valuation remained at $34,000, were 13.53 mills and 13.97 mills.

It was suggested that the formula be modified so that adjustments in the guaranteed valuations would be automatic and a biennial review of the formula would not be necessary. The formula could be geared to maintain a statewide average operating tax levy rate. As the costs increased, the guaranteed valuation would automatically be adjusted to maintain the statewide average operating levy rate.

This was discussed at length, but a majority of the committee believed it was a sounder procedure to conduct a thorough biennial review of the formula and the factors affecting school costs.

Recognizing that an upward adjustment in guaranteed valuations and flat aids would require additional funding by the state, the committee discussed possible sources of revenue to support school costs. At the time, the local property tax supported 75 percent of the costs and the state provided 25 percent, with a large portion of state funding derived from the income and selective sales taxes. The committee felt that educational costs should be supported more substantially from the broadly based income and sales taxes, thus lessening the local property tax burden.

It also was suggested that a more substantial portion of the income tax be returned to local units of government through the school aid formula (which recognizes local capacity and effort) rather than through the shared tax program (under the latter, a portion of the income taxes collected by a community is returned by the state as unearmarked funds).

The committee recommended no changes in the 1963-65 guaranteed valuations or flat aids for basic level aid districts and made the following recommendations for integrated aid districts:

	Guaranteed Valuation (in dollars)		Committee Recommendation (in dollars)	
Type of District	1963-64	1964-65	1965-66	1966-67
1-8 Elementary:				
Basic	24,500	24,500	24,500	24,500
Integrated	28,000	28,500	29,000	29,500
K-12 or 1-12:				
Basic	24,500	24,500	24,500	24,500
Integrated	33,000	34,000	37,000	38,000
9-12 UHS:				
Basic	55,000	55,000	55,000	55,000
Integrated	70,000	72,000	74,000	75,000

	Flat Aids (in dollars)		Committee Recommendation (in dollars)	
1-8 Elementary:				
Basic elementary	30	30	30	30
Basic high school	40	40	40	40
Integrated elementary	40	42	43	44
Integrated high school	53	55	56	57
9-12 UHS:				
Basic	40	40	40	40
Integrated	53	55	56	57

The aid adjustments were introduced in the 1965 legislative session by a group of senators and co-sponsored by representative in Senate Bill 43.

Recommendation on Current Aid

Part of the report to the Education Committee recommended that aid payments be placed on a current basis rather than on a prior-year basis.

The committee noted that all reorganized districts received aids based on current year costs and enrollments. It felt it was more equitable to base all aid payments on the cost for the year in which they were incurred and on enrollments for the same year rather than on the prior year's statistics.

During the 1965 session, Senate Bill 44 and Assembly Bill 181 were introduced providing for aid payments made on a current-year basis. The Education Committee approved the recommendation dealing with the adjustment of guaranteed valuations and flat aids and the current-year basis for calculating the aid formula. The Legislative Council did not approve either of the recommendations for introduction on the floor. Senate Bill 43 was amended, causing a change in guaranteed valuations and flat aid payments as recommended by the Biennial Aids Adjustment Committee. Those changes were as follows:

Provisions of Amended Senate Bill 43
(in dollars)

	Guaranteed Valuation		Committee Recommendation	
Type of District	1965-66	1966-67	1965-66	1966-67
1-8 Elementary:				
Basic	24,500	24,500	30	30
Integrated	28,500	29,500	42	44
K-12 or 1-12:				
Basic elementary	24,500	24,500	30	30
Basic high school	24,500	24,500	40	40
Integrated elementary	34,000	38,000	42	44
Integrated high school	34,000	38,000	55	57
9-12 UHS:				
Basic	55,000	55,000	40	40
Integrated	72,000	75,000	55	57

Chapter 534, Laws of 1965, published June 3, 1966, adopted Senate Bill 43 as amended for the 1965-67 biennium. It provided no change in the guaranteed valuation or flat aids in 1965-66 over 1964-65, but increased both in 1966-67 as recommended by the Education Committee and the Biennial Aids Adjustment Committee. **This action was most significant in that it establishes a base for the 1967-69 biennium.** Chapter 534 also provided for an increase in the general state aid appropriation fo $11 million for 1966-67.

The Current Aid Bill

The other recommendation made by the Aids Adjustment Committee was called the current aid bill. Senate Bill 44 was identical to the Education Committee's recommendation. The Legislative Council did not approve the recommendation for introduction; thus, SB 44 was introduced by a senate member of the Education Committee, a group of other senators, and a representative.

Senate Bill 44, as amended, was enacted and became Chapter 261, Laws of 1965. It provided that general state aid payments be based on a district's membership and teacher pupil ratio on the third Friday in September, the estimated budget for the current year of operation, and the previous year's equalized valuation. Aids adjustment based on the actual operating cost would be made at the end of the fiscal school year. **The Legislative Council did not endorse the current aid bill for a number of reasons.**

Placing membership and costs on a current basis created some serious problems with the administration of the state budgets as well as in the local school district. State budget requests for general aids for a two-year period had to be projected without firm information in the base year (budget for the 1967-69 biennium would be prepared without a final computation of state aids for 1966-67). Preparation for the 1965-67 budget was based on actual state aids for 1964-65 (for reorganized districts and 1963-64 for all districts not reorganized).

Because current membership and costs resulted in the aid formula being based on a district's October budget (and again on the end-of-year budget based on the current report), it increased the state aids division workload significantly. Determining general state aid funding for the next two years was a challenge when base information for the present year was provided; however, it was more difficult if the base year information was not available. In addition to the current membership and costs, Chapter 261 moved equalized valuation forward one year; the formula was then based on the prior year rather than the prior two years.

Section 40.68 of the Wisconsin statutes provided full valuation of each school district be determined and certified for the state superintendent by the Department of Taxation on or before August 1 of each year. The full or equalized valuation for 1964 was certified to the state superintendent by August 1, 1965. The state aids division and local school districts had to estimate what equalized valuation would be for the prior year when they computed the general state aid formula for 1965-66.

Full valuation increases during the late fifties and early sixties averaged slightly less than 5 percent. The 1964 valuation increase over 1962 totaled 8.5 percent. This was not a dramatic change statewide; however, some school districts had a sizable increase, which prompted the legislature to guarantee that no district would receive less state aid in the 1965-66 school year than it received in the 1964-65 school year (this was included in Chapter 261. The increase in the full value of property in school districts in 1966 was 7.6 percent, increased to 10.7 percent in 1970, and again to 18.9 percent in 1974. From 1966 (which impacted upon the 1967-68 aid programs) through the seventies, property valuations dramatically increased. (In 1974 the increase was 18.9 percent, or $8.2 billion, which was greater than the equalized valuation of the entire state in 1948-$7.9 billion.)

Estimating the equalized valuation of school districts during this period became increasingly more difficult. From 1965 to the present, Wisconsin experienced substantial increases in school costs and equalized valuations, with student membership reaching a high point in 1972-73. With these increases and the projected budgets based on estimates rather than firm figures, it was difficult to provide accurate budget information. This did not enhance the image of school boards, administrators, and business managers in the eyes of the electorate. Thus, the general state aid formula became much more difficult to administer.

Other Legislation

Chapter 371, Laws of 1965, published November 19, 1965, dealt with computing state aids for 1965-66. It modified the current aid law by specifying that in computing 1965-66 aid payments, 1963 (rather than 1964) valuations would be used in common and unified school districts involved in a 1964 reorganization which might result in an increase or decrease in the districts' valuation.

Chapter 11, Laws of 1965, published March 30, 1985, amended 40.70(4) of the statutes relating to computing state aids when reorganization became effective after litigation. 40.70(4)(b) provided that a reorganization order is not effective under s. 40.025(4) (effective date and validity of reorganization) due to litigation until after the third Friday in September but before April 1 of the current fiscal school year. State aids for such a district affected by a reorganization order would be computed for the first year of operation after the order was in effect, by the state superintendent's calculations of average daily membership and teacher/pupil ratio for areas in a reorganized district were to be made as if the district had been in existence on the third Friday in September.

This was another case (like the current aid bill) where the legislature modified the formula when it received pressure from a special interest group. The legislation was created for a single school district that wanted to receive state aids as a K-12 district rather than a UHS district. The UHS was reorganized into a K-12 school district in 1964. Litigation stayed the order of reorganization so that on the third Friday in September, 1964, the school district was still considered a union high school for the determination of general state aid. Computing state aids on the basis of a union high school rather than a K-12 district reduced aids for the school district by more than $200,000.

After litigation the reorganization order creating a K-12 district was effective prior to April 1; this action by the legislature paid state aids to the district as if it was a K-12 on th third Friday in September. Created to deal with a specific school district, this legislation is still in the statutes, with only slight modification, and has not been used to compute state aids for any district since.

Chapter 659, Laws of 1965, published August 31, 1966, repealed 40.71(1), terminating the Biennial Aids Adjustment Committee and creating Permanent Council Committees in section 13.83(2).

> 13.83(2) EDUCATION COMMITTEE: AIDS ADJUSTMENT. The council shall in each biennium create a committee on education.
>
> (a) Biennially in even number years the education committee shall meet with the 2 co-chairmen and ranking minority member from each house of the joint committee on finance and shall consider the advisability of adjusting the guaranteed equalized valuation and the aid per resident pupil in average daily membership in the basis an integrated aid districts. Consideration shall be given to changes in valuations and school costs and to the sources of revenue available to meet the state appropriation required to meet any recommended adjustment in the guaranteed valuation or per-pupil aids.
>
> (b) The committee may recommend either an annual or biennial guaranteed equalized valuation and aid per resident pupil membership.
>
> (c) The committee may conduct studies of the operation of the state aid formula.
>
> (d) The committee shall report its findings and recommendations to the Legislative Council. The Legislative Council shall report its action on the findings and recommendations of the committee to the legislature.

1965-66

Factors involved with the general state aid formula:

Districts Not Reorganized

1964 Equalized Valuation
1965 Levies
3rd Friday in September 1965 Membership
1965 Summer School adm
1965-66 Budget

Districts Reorganized

1963 Equalized Valuation
1965 Levies
3rd week in September 1965, adm
1965-66 Budget

Guaranteed Valuations

		Flat Aid
Integrated 12	$34,000	$42 - 55
Integrated 8	$28,500	$42
Basic 12	$24,500	$30 - 40
Basic 8	$24,500	$30
Integrated UHS	$72,000	$55
Basic UHS	$55,000	$40

Guaranteed valuations and flat aids were received the same as in 1964-65.

Statistical Data

Number of school districts.

Basic 8	115
Integrated 8	59
Integrated 12	362
Basic UHS	6
Integrated UHS	27
	569
Closed	5
Total	574

The biennial report for 1965-67 was a departure from previous reports; it did not provide some information available in previous reports, such as a breakdown for enrollment.

Enrollent in Public Schools	859,207
Resident adm	816,714
Nonresident adm	2,357

State Aid Payments.

Resident flat aid	$ 37,666,438.00
Resident equalization aid	58,038,454.46
Nonresident aid	96,690.00
Excess cost aid	142,550.31
Total	$ 95,944,132.77

Excess aid payments increased with districts exceeding 17 mills.

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 12	315	$ 57,875,250.72
Integrated - 8	7	167,307.72
Basic - 8	10	37,483.26
Integrated UHS	4	87,763.07
Basic UHS	1	13,200.00
Total	337	$ 58,181,004.77
1965-66 Operational Costs		$ 407,852,818.71
1963 Equalized Valuation		$21,313,872,965.00
1964 Equalized Valuation		$22,291,338,215.00

The 1963 equalized valuation of reorganized districts was used in 1965-66 aid computation; the 1964 equalized valuation was used for districts not reorganized. All districts were computed on a current basis beginning in 1965-66; budget figures were based on new school account system. Districts were guaranteed as much as as they had received in 1964-65.

1966-67

Factors involved with the general state aid formula:

Statistics Used for All Districts*

1965 Equalized Valuation
1966 Levies
3rd Friday in September 1966 adm
1966 Summer School adm
1966-67 Budget

*Current aid bill changes placed all districts on a current year basis.

Guaranteed Valuations

		Flat Aid
Integrated 12	$38,000	$44 - 57
Integrated 8	$29,500	$44
Basic 12	$24,500	$30 - 40
Basic 8	$24,500	$30
Integrated UHS	$75,000	$57
Basic UHS	$55,000	$40

- The state matched Basic - 8 and Basic - 12 Districts to 15 mills
- The state matched Integrated - 8 and Integrated - 12 Districts to 17 mills
- The state matched Basic and Integrated UHS Districts to 10 mills
- The state Integrated - 12 Districts levied 5 mills to qualify for aid
- All other districts levied 3 mills to qualify for aids

Excess aid was paid to the following up through 1965-66:

Integrated - 12	over 17 Mills
Integrated - 8	over 20 Mills
Basic - 12	over 25 Mills
Basic - 8	over 20 Mills
Integrated UHS	over 17 Mills
Basic UHS	over 25 Mills

1955 legislation limited the excess cost aids to integrated - 12 grade districts over 17 Mills beginning in 1966-67.

Statistical Data

Number of school districts.

Basic 8	92
Integrated 8	54
Integrated 12	368
Basic UHS	5
Integrated UHS	23
	542
Closed	3
Total	545

Enrollent in Public Schools	890,437
Resident adm	848,294
Nonresident adm	1,980

State Aid Payments.

Resident flat aid	$ 40,820,889.00
Resident equalization aid	76,529,743.78
Nonresident aid	57,838.00
Excess cost aid	142,550.31
Total	$117,509,051.84

The increase in the guaranteed valuation from $34,000 to $38,000 for integrated K-12 or 1-12 districts caused a reduction in excess cost aids from $142,550.31 in 1965-66 to $100,581.06 in 1966-67.

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 12	334	$ 76,400,445.86
Integrated - 8	5	112,890.21
Basic - 8	2	6,077.52
Integrated UHS	4	98,690.25
Basic UHS	1	12,221.00
Total	346	$ 76,630,324.84

99.7% of the equalization aid in 1966-67 was paid to Integrated K-12 school districts.

1966-67 Operational Costs	$ 449,059,764.07
1965 Equalized Valuation	$23,462,118,100.00

1967-69: TASK FORCE ON LOCAL GOVERNMENT FINANCE AND ORGANIZATION IN WISCONSIN

In May, 1967, Governor Warren P. Knowles signed legislation which established a task force to study local government finance and organization. Chapter 22, Laws of 1967, published May 6, 1967, created the Task Force on local government finance and organization. Its 13 members studied the distribution of state aids and shared taxes and the organization and functions of state and local government in Wisconsin. The task force made recommendations for improving the organization and financing of government and reported to the legislature and the governor in January, 1969.

A specific responsibility of the task force was to study Wisconsin's method of sharing taxes and paying state aids and their relationship to the adequacy of local government revenues and the comparative tax burden of various governmental units.

The Governor selected Dr. Curtis Tarr, President of Lawrence University, as chairman of the Task Force. Other members of the committee selected by the Governor included:

Charles K. Alexander, vice-president of research, Wisconsin Taxpayers Alliance
James R. Morgan, secretary, Wisconsin Department of Revenue
Richard Delorit, academic vice-president, River Falls State University
Emil Kostner, Thorp, vice-chairman of the Board, Thorp Finance Company
Norman N. Gill, Executive Director, Citizens Governmental Research Bureau
Thomas H. Barland, Eau Claire, County judge
John Giacomo, vice-president, Wisconsin AFL-CIO
Patricia Anderson, member, Wisconsin League of Women Voters
Senator Walter Hollander, Rosendale
Senator Henry Dorman, Racine
Representative J. Curtis McKay, Cedarburg
Representative Raymond J. Tobiasz, Milwaukee

The task force held six day-long meetings; experts in various aspects of state and local government appeared to explain the local government organization, the shared tax system, and details of various state aids programs.

It also held seven public hearings throughout Wisconsin (usually of two-days') duration to understand local problems and draw attention to the on-going study.

TASK FORCE RECOMMENDATIONS

Chapter IV: "Aids to Elementary and Secondary Education"

The task force studied all types of state support for the 1967-68 school year including the general state aid formula. These included general purpose assistance and the school aid formula and its effectiveness. Three-fourths of the school districts in the state were integrated K-12, they enrolled 94.9 percent of all students and received 98.3 percent of the aids dispersed by the Department of Public Instruction in 1967-68.

The 1949 legislation establishing the school aid formula provided for a periodic review by the Legislative Council's Education Committee of guaranteed valuation. The legislature made frequent increases in the guarantee, from $17,000 in 1949 to $39,000 in 1968. The incentive to improve the quality of instruction was emphasized through higher relative increases for integrated districts and K-12 districts compared to basic and independent K-8 and union high school districts. At the same time, the state chose to allocate aid in greater amounts to equalized districts compared to flat aid districts, thus continuing to emphasize constitutional admonition to encourarge equality of educational opportunity.

In 1963, the legislature concluded that the present formula for disbursing general purpose assistance both induced quality education and alleviated high property tax rates. Members of the task force found no indication that this situation was altered. It seemed prudent to continue the disbursement of aid based upon the traditional formula.

In the fall of 1968, the Department of Public Instruction recommended to legislative committees and members of the task force that a new method be adopted to determine the guaranteed valuation per pupil for K-12 school districts. Members of the department argued that in the past the Biennial Aids Adjustment Committee and the Legislative Council's Education Committee could recommend what they felt was a necessary adjustment in the guaranteed valuation, based on predictions of changes in property values and estimates of increases in school costs. However, these recommendations were not always adopted in full by the legislature. School costs went up at an accelerated rate, largely because of teacher salary increases, and the department took the position that the state had not adequately responded to the increase. Therefore, the department offered a new method of adjusting the guaranteed valuation so that each year state support would automatically respond to increased school costs.

The department recommended a procedure: for determining guaranteed valuation. First, the statewide net cost of operation in K-12 districts would be divided by the total enrollment to determine the new cost/pupil. The net cost/pupil would then be divided by a "mill rate index" to arrive at the guaranteed valuation. After the guaranteed valuation was found, the current method for computing each district's aid was to be followed. The department recommended that the mill rate index be set by law at 15 mills (the estimated average, statewide operational levy rate for equalized aid in K-12 districts for 1968-69). If this method was used for the 1969-70 school year, the guaranteed valuation per pupil would have been $45,500; in 1970-71 it would have been $50,500. It was evident that the new method would greatly increase state aid for general purposes.

The proposed method had several advantages. It tended to stabilize the average statewide required operating levy rate, even if local property tax rates varied from this average. The method for determining guaranteed valuation made it responsive to changes in school costs; the state would then absorb the increased costs as long as the mill rate index remained constant. The formula was also simple to use; it assured an annual adjustment of guaranteed valuation.

The method also had some disadvantages. Once the state legislature committed itself to using the mill rate index, it would be difficult to reduce it. Thus, the proposal guarantee that further cost increases in education-except those covered by larger property tax revenues resulting from higher property valuations-would be the state's responsibility, met through increased sales and income taxes. By placing a mill rate index in the statutes, the appropriation for schools would automatically increase; school aids would then have a priority over available funds.

The task force recommended the method as an analytical tool to determine recommendations for increases in guaranteed valuation but advised against statutory enactment of the method.

Excess Aids

Wisconsin law required that school districts operate within certain maximum financial limits: 17 mills on the equalized valuation in integrated K-12 and union high school districts, 20 mills in 1-8 grade districts, and 25 mills in basic K-12 and union high school districts. These limits protected the taxpayer but also imposed serious limitations on efforts to raise educational quality in the districts. To alleviate the latter circumstance, the state paid for the portion of operational costs which a 17-mill levy could not support in integrated K-12 districts.

The Department of Public Instruction disbursed $1,040,144 in excess aids to 11 school districts in 1967-68. A study of those districts revealed that most had high average incomes per capita. Excess cost aid was designed to help districts that would otherwide face serious financial hardship; many of the districts gaining benefits from the provision were not hardship cases.

The task force concluded that excess aids be eliminated; the state would share equally in costs above and below the 17-mill levy. The task force believes that the limitations on taxation for education should be eliminated.

Flat Aids and Equalized Aids

During task force hearings throughout the state, this question frequently was asked, Why should flat aid be paid, when the purpose of the 1949 law was to utilize state funds to supplement the property tax base in districts with relatively low valuation? Following a study of flat and equalized aids, the task force recommended a continuation of flat aid payments, with the relative differentials between flat and equalized aid being maintained in the immediate future. Specifically, members of the task force believed that for each $1,000/pupil increase in guaranteed valuation for K-12 integrated districts, flat aid be increased $1 per pupil.

Between 1957 and 1968, the number of integrated K-12 districts receiving flat aids decreased from 25.5 percent to 9.4 percent. This reduction was brought about by a substantial reorganization of school district, and an increase in guaranteed valuations, allowing more districts to become eligible for equalization aid. The percentage of pupils attending flat aids districts decreased from 58.9 percent to 19.1 percent during the same period. In 1967-68 35 of 371 integrated K-12 districts received flat aids. Sixteen of those had guaranteed valuations below $39,000; they received flat aids because the law required districts receive either flat or equalized aids, whichever was greater. In 1967-68, the state paid $126,378,253 in equalization aids and $6,519,024 in flat aids.

The Legislative Council Education Committee reported in 1967 that flat aids should be preserved, the logic being that state support be extended to every school district in Wisconsin to some degree.

Aids to Union High School Districts

Formulation of UHS districts reached a peak of 87 in 1957-58. A steady decrease reduced that number to 16 by October 1, 1968. There were 79 elementary districts located within the 16 union high school districts. No new UHS districts had been created since 1962.

Of existing UHS districts, only two had enrollments that could be considered too small for quality work. In fact, the average enrollment in a union high school was 756, compared with a statewide high school average of 668. However, enrollments in elementary districts ranged from a low of 15 to a high of 1,954 and staff sizes from 1 to 120. Furthermore, within a single UHS district the elementary districts varied considerably in size.

Only 55.3 percent of the elementary districts provided kindergarten. Few of the elementary districts offered junior high school programs. Only seven provided instruction in home economics and industrial arts, while only four offered a foreign language. More than one-fourth of the teachers lacked an appropriate college degree, and they were significantly less prepared academically than teachers in K-12 districts.

It appeared quite evident that the quality of opportunity in separate elementary districts did not equal that in K-12 districts. Furthermore, separate elementary districts did not provide the best organization to encourage increasing the quality of services and specialized instruction normally found in K-12 districts. Inequities inherent to separate elementary districts prompted the task force to recommend that UHS and elementary districts be phased into K-12 districts by July 1, 1972.

Level of Guaranteed Valuation

While the task force disapproves of the mill rate index recommendation by the Department of Public Instruction for the statutory computation of guaranteed valuation, it concurred that providing communities with increased amounts of state general purpose aid to offset the rising costs of education was urgent. For too long the state had provided assistance for the general support of local government in such a way that the electorate felt that property tax increases comes almost entirely from increased education costs.

A substantial increase in guaranteed valuations would improve the local financial situation. The task force recommended a schedule of guaranteed values and flat aids based on a guaranteed valuation of $42,000 per pupil in K-12 integrated districts.

Task Force Recommendations for School Aids

Type of District	1967-68	Task Force Recommendations
Equalized Aids:		
Basic Elementary	24,500	24,500
Basic UHS	55,000	55,000
Integrated Elementary	30,500	33,000
Integrated UHS	76,000	82,000
Integrated K-12	39,000	42,000
Flat Aids:		
Basic Elementary	30	30
Basic UHS	40	40
Basic K-12	30 - 40	30 - 40
Integrated Elementary	45	48
Integrated UHS	58	61
Integrated K-12	45 - 58	48 - 61
Excess Cost Aids	Over 17 mills	Repealed

The task force found that the school aid formula was responsive to constitutional and statutory criteria. The new proposed method for determining the guaranteed valuation, based upon a mill-rate index, was to be used as an analytical tool but not incorporated into the statutes. Their recommendations were the following:

1. Excess aids be eliminated, together with the limitations on taxation for educational purposes.

2. Flat aids be maintained and increased by $1 per pupil when the guaranteed valuation for K-12 integrated districts was increased to $1,000 per pupil.

3. Equalization and flat aids be increased, with a guaranteed valuation of K-12 integrated districts of $42,000/pupil.

4. UHS and elementary districts be phased into K-12 school districts by July 1, 1972.

One member of the committee wanted flat aids discontinued, and another felt that interest on long-term debt should be included as a cost of operation for purposes of computing state aids. Although the task force did not embrace the method for determining the guaranteed valuation nor recommend statutory enactment of the method, it did agree with the urgency for increasing the guaranteed valuation to keep pace with rising costs and provide some tax relief for local school districts.

1967 LEGISLATIVE SESSION

Chapter 659, Laws of 1965, created Permanent Council Committees, one of which was the Education Committee. It took over the duties previously delegated to the Biennial Aids Adjustment Committee. It's membership consisted of the following:

Representative Angelo F. Greco, Chairman, Milwaukee
Representative Carolyn J. Blanchard, Edgerton
Representative Manny Brown, Racine
Representative Esther S. Doughty, Horicon
Representative Raymond Heinzen, Marshfield
Representative Lewis T. Mittness, Janesville
Representative Fred J. Moses, Cumberland
Representative David R. Obey, Wausau
Senator Peter P. Carr,* Vice-Chairman, Janesville
Senator William Hansen, Stevens Point
Senator Holger B. Rasmussen, Spooner
Walter Calvert, Secretary, Benton
Herbert Anderson, Menomonie
Ernest Gay, Owen
Ben Guthrie, Lac du Flambeau
Frank Joswick, Pulaski
John Kramer, Fennimore
Keith C. Van Vuren,* Seymour

The newly formed Education Committee recommended an increase in the guaranteed valuation and flat aid payments for integrated aid districts.

At the January 9, 1967, meeting of the Legislative Council, the recommendation failed to get the required ten votes for instruction; subsequently, proposals identical to the recommendation were introduced in the 1967 legislature as Assembly Bill 51 and Senate Bill 21. Both bills were amended, and Assembly Bill 51 (as amended), became Chapter 209, Laws of 1967.

The table compares the 1965-67 aid formular, A.B. 51 (committee recommendation for 1967-69), and Chapter 209, Laws of 1967.

*Deceased

Guaranteed Valuation and Flat Aid Per Pupil for Integrated Districts
1965-67 Biennium; Ch. 209, Laws of 1967
(in dollars)

Type of District	(2) Aid Formula at 1965-67 Rate	(3) A.B. 51 Com't Recommendation 1967-69	(4) Ch. 209, Laws 1967, 1967-69
Guaranteed Valuation:			
K-12:			
1967-68	34,000	40,000	39,000
1968-69	38,000	42,000	39,000
UHS (9-12):			
1967-68	72,000	77,000	76,000
1968-69	75,000	79,000	76,000
Elementary:			
1967-68	28,500	31,500	30,500
1968-69	29,500	33,500	30,500
Flat Aid Per Pupil:			
K-12:			
Elementary			
1967-68	42	46	45
1968-69	44	48	45
High School			
1967-68	55	59	58
1968-69	57	61	58
UHS (9-12):			
1967-68	55	59	58
1968-69	57	61	58
Elementary:			
1967-68	42	46	45
1968-69	44	48	45

Guaranteed valuations increased $1,000/adm for integrated 1-8, 9-12 and K- or 1-12 districts in 1967-68 and remained at that level for 1968-69.

Flat aid payments increased $1 for integrated aid districts over the 1966-67 level and also remained the same for 1968-69.

Chapter 92, Laws of 1967, published August 19, 1967, provided for the revision of Chapters 39 and 40 and 41.01 to 41.06 and 41.72 to 41.77. The material in these statutes was rearranged and recommended, and it created a new Title XIV of the statutes (entitled, "Public Instruction.") The material in Title XIV was arranged as follows:

Chapter 115.	State Superintendent, General classifications and definitions; handicapped children.
Chapter 116.	Cooperative Educational Service Agencies and agency school committees.
Chapter 117.	School district reorganization.
Chapter 118.	General school operations.
Chapter 119.	Milwaukee School Laws
Chapter 120.	School district government.
Chapter 121.	School Finance

Prior to this act, general state aids were located in sections 40.66 through 40.71; general state aid was now located in sections 121.01 through 121.21.

1967-68

Factors Involved With The General State Aid Formula:

Statistics Used for All Districts

1966 Equalized Valuations
1967 Levies
3rd Friday in September, 1967 Membership
1967-68 Budget

Guaranteed Valuations

	Equalized Valuation	Flat Aid
Integrated - 12	$39,000	$45 - $48
Integrated - 8	$30,500	$45
Basic - 12	$24,500	$30 - $40
Basic - 8	$24,500	$30
Integrated UHS	$76,000	$58
Basic UHS	$55,000	$40

Statistical Data

Number of School Districts

Basic 8	49
Integrated 8	47
Integrated 12	371
Basic UHS	3
Integrated UHS	17
	487
Closed	7
	494

Enrollment in Public Schools	921,032
Resident adm	881,817
Nonresident adm	1,974

State Aids Payments

Flat Aids	$43,330,470.00
Equalized Aids	90,876,975.46
Nonresident Aids	46,216.00
Excess Cost Total	933,231.69
Total	$135,186,893.15

The statewide average required levy rate for integrated K- or 1-12 grade school districts in 1966-67 was 12.58 mills with only 4 districts exceeding the 17 required levy rate. The guaranteed valuation for K- or 1-12 integrated districts in 1966-67 was $38,000.

The statewide average required levy rate for integrated K- or 1-12 grade districts in 1967-68 was 13.60 mills. The guaranteed valuation for K- or 1-12 integrated districts was $39,000 which was an increase of $1,000 over 1966-67.

Twelve school districts exceeded 17 mills causing the excess cost payment ot rise to $933,231.69 for 1967-68.

Districts Receiving Equalized Aid

	Number	Amount
Integrated - 12	388	$ 91,694,788.22
Integrated - 8	6	113,574.53
Integrated - UHS	1	1,844.40
Total	345	$ 91,810,207.15
1967-68 Operational Costs		$ 516,469,013.18
1966 Equalized Valuation		$25,233,571,100.00

An assessment of the changes in the number and kind of school districts remaining in 1967-68 as well as equalization aid payments shows that the general state aid formula was functioning well. The incentive to reorganize into a K- or 1-12 grade district and to improve programs resulted in an increase in K- or 1-12 districts and a reduction in UHSs and the amount of equalization aid going to K- or 1-12 grade districts.

The number of districts decreased from 5,463 in 1951-52 to 487 in 1967-68. UHSs dropped from 69 to 20. Basic 8-grade districts were reduced from 4,069 to 49, while integrated K-12 or 1-12 districts increased from 308 to 338. Basic districts numbered 4,140 in 1951-52; by 1967-68 they were reduced to 52.

The general state aid formula was instrumental in improving programs and restructuring school districts to make them responsive to students' needs in the sixties.

1968-69

Factors involved with the general state aid formula:

Statistics Used for All School Districts

1967 Equalized Valuations
1968 Levies
3rd Friday in September, 1968 Membership
Budget 1968-69
1968 Summer adm

Guaranteed Valuation

	Equalized Valuation	Flat Aid
Integrated - 12	$39,000	$45 - 48
Integrated - 8	$30,500	$45
Basic - 12	$24,500	$30 - 40
Basic - 8	$24,500	$30
Integrated UHS	$76,000	$58
Basic UHS	$55,000	$40

Statistical Data

Number of School Districts.

Basic - 8	35
Integrated - 8	41
Integrated - 12	372
Basic UHS	2
Integrated UHS	14
	464
Closed	2
	466

Enrollment in Public Schools	953,971
Resident	917,875
Nonresident	1,588

State Aids Payments

Flat aids	$45,130,629.00
Equalized aids	101,290,220.62
Nonresident aids	36,540.00
Excess cost total	6,900,189.61
Total	$153,357,579.23

With the guaranteed valuation increasing only $1,000 in 1967-68 over 1966-67 and remaining at $39,000 for 1967-68 and 1967-68 and 1968-69, the required levy rates increased substantially along with the net operational costs in K-12 districts. The average required levy rate for K-12 districts in 1968-69 was 15.45 mills. The result was 60 districts had mill-rate levies in excess of 17 mills.

Mill-rate Levy	Number of Districts
17 - 17.9	21
18 - 18.9	10
19 - 19.9	7
20 - 20.9	5
21 - 21.9	5
22 - 22.9	4
23 - 23.9	2
24 - 24.9	2
25 and above	4
Total	60

The state's failure to increase the guarantee in line with increased costs caused excess cost aids payments of $5,973,780.77 to 54 K-12 districts. (See table on following page.)

Districts Receiving Equalized Aid

	Number	Amount
Integrated - 12	336	$ 101,228,740.79
Integrated - 8	2	61,479.83
Total	338	$ 101,290,220.62
Operating Cost		$ 608,713,848.50
1967 Equalized Valuation		$27,112,695,900.00

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Excess Aid Districts, 1968-69
(in dollars)

County	District	Flat or Eq. Aid	Total Aid	Excess Cost Aid
Ashland	Jt. 1, Mellen C.	Eq.	277,626.48	15,275.68
Bayfield	Jt. 1, Barksdale (Ondossagon)	Eq.	290,356.58	79,121.38
	Jt. 1 Bell (Port Wing)	Eq.	183,475.02	46,094.62
	Jt. 1, Washburgn C.	Eq.	244,789.45	50,717.45
Clark	Jt. 1, Greenwood C.	Eq.	260,461.52	2,976.12
Columbia	Jt. 1, Fall River V.	Eq.	131,997.78	13,993.98
Crawford	Jt. 3, Gays Mills V.	Eq.	352,463.00	1,482.70
Dane	Jt. 8, McFarland V.	Eq.	330,548.88	37,434.88
	Jt. 4, Monona C.	Eq.	1,159,963.34	238,073.34
	Jt. 1, Verona V.	Eq.	153,099.91	38,328.11
Dodge	Jt. 11, Juneau C.	Eq.	296,606.26	40,946.66
Douglas	Jt. 1, Maple	Eq.	643,193.08	74,910.08
	Jt. 1, Solon Springs V.	Eq.	123.056.53	7,131,63
Fond du Lac	Jt. 1, Ripon C.	Eq.	281,358.83	73,588.03
Grant	Jt. 2, Bloomington V.	Flat	24,257.51	7,480.51
	Jt. 7, Muscoda V.	Eq.	410,058.65	63,634.35
	Jt. 1, Patch Grove V.	Eq.	194,458.19	34,897.09
Green	Jt. 2, Jefferson (Juda)	Eq.	93,508.39	30,334.69
Iron	Jt. 1, Hurley C.	Eq.	659,256.74	144,340.34
	No. 1, Mercer	Flat	58,031.50	47,110.50
Jackson	Jt. 1, Melrose V.	Eq.	378,810.23	17,255.93
LaCrosse	Jt. 1, West Salem V.	Eq.	266,311.17	14,814.87
Lincoln	Jt. 1, Somo (Tripoli)	Eq.	94,893.18	6,998.08
Marathon	Jt. 2, Athens V.	Eq.	165,514.36	26,015.76
Milwaukee	No. 1, Brown Deer V.	Eq.	944,123.80	192,030.80
	No. 5, Franklin C.	Eq.	1,368,543.73	380,598.93
	No. 1, Greendale V.	Eq.	1,332,513.81	59,745.91

Greenfield	No. 1, Greendale V.	Eq.	1,332,513.81	59,745.91
	Jt. 3, Hales Corners V.	Eq.	761,107.01	82,888.61
	No. 4, Shorewood V.	Flat	341,126.18	215,056.18
	No. 1, Whitefish Bay V.	Flat	962,058.41	770,970.41
Outagamie	Jt. 5, Bear Creek V.	Eq.	107,958.63	24,677.33
	Jt. 3, Freedom	Eq.	224,679.52	2,118.92
Ozaukee	Jt. 1, Port Washington C.	Eq.	498,427.90	62,953.80
Pierce	Jt. 3, Plum City V.	Eq.	96,560.62	19,100.12
Polk	Jt. 3, Frederic V.	Eq.	442,467.33	107,460.23
	Jt. 4, Milltown V.	Eq.	275,069.56	17,847.66
Portage	Jt. 5, Rosholt V.	Eq.	172,764.68	4,400.08
St. Croix	Jt. 1, Glenwood City C.	Eq.	408,197.05	1,961.65
Sauk	Jt. 1, Ironton (Weston)	Eq.	246,188.48	13,453.38
Sawyer	Jt. 1, Winter	Eq.	233,749.11	6,468.71
Trempealeau	Jt. 6, Independence C.	Eq.	106,733.88	31,610.88
Vernon	Jt. 3, Hillsboro C.	Eq.	295,374.54	11,656.24
	Jt. 8, Readstown V.	Eq.	313,946.38	2,815.58
Walworth	Jt. 1, Williams Bay V.	Flat	50,082.78	23,198.78
Washburn	Jt. 1, Shell Lake C.	Eq.	235,061.25	18,125.95
	Jt. 1, Spooner C.	Eq.	557,531.04	26,260.64
Washington	Jt. 1, Germantown V.	Eq.	1,082.988.57	326,867.67
	Jt. 1, West Bend C.	Flat	522,612.90	294,128.90
Waukesha	Jt. 21, Broofield C.	Eq.	2,254,225.68	1,030,941.38
	Jt. 16, Lisbon (Hamilton)	Eq.	1,210,316.82	251,139.42
	Jt. 9, Muskego C.	Eq.	1,509,126.07	74,971.87
	Jt. 3, Oconomowoc C.	Eq.	1,097,913.35	400,279.55
	Jt. 1, Pewaukee V.	Eq.	570,949.90	211,523.60
	No. 6, Vernon (Norris Farm)	Eq.	68,565.88	27,753.98
	Jt. 12, Wales V. (Delafield)	Eq.	454,038.20	581.90
		48 Eq.		4,615,835.49
		6 Flat		1,357,945.28
	Total			5,973,780.77

1969-72: THE GOVERNOR'S COMMISSION ON EDUCATION

On January 23, 1969, Governor Knowles proposed creating a special Commission on Education to conduct an in-depth study of the state's financial and administrative relationships with education at all levels. The 600-member commission (popularly termed the "Kellett Committee" after its chairperson) undertook a comprehensive evaluation of Wisconsin educational system and recommended appropriate action to ensure that the tremendous tax investment produced maximum educational results.

In March 1970, the commission issued preliminary recommendations; it filed its final report in November. The Kellett Committee made the following recommendations regarding public elementary and secondary education financing:

Recommendation #1: The state share of net operating costs for K-12 districts be increased from the present statewide average of 30 percent to 40 percent and be maintained at that figure in the future.

Forty percent state aid for K-12 districts would have required a $59,000 guaranteed valuation/student in 1971-72 and $64,000 in 1972-73. It would have meant a total general aid figure of about $324 million in 1971-72 (compared with approximately $210 million in 1970-71) and $351 million in 1972-73. Thus, about $114 million previously paid from property taxes was to be paid out of state general fund revenues in the first year alone.

The commission was fully aware that this recommendation called for a corresponding increase in state revenues - probably from income or sales taxes, or both. However, many areas in Wisconsin were approaching a crisis level with the property tax, and relief was a necessity. Moreover, this recommendation tended to shift payments for education to those able to pay. Of those responding to the opinionnaire, 79 percent favored increasing the state's share to 40 percent and reducing property taxes.

There was a hazard, of course, that local governing bodies would view this increased state aid as "found money" and use it for other local expenditures. That was not the purpose of this recommendation. It was, rather, to provide state property tax payers with much-needed relief; therefore, additional state aids received by school districts were to be used for two years subsequent to any legislative enactment decreasing the tax levy and/or tax rate. Thus the direct property tax relieve intended would be achieved.

The recommendation to increase the state's share to 40 percent was not new. John Callahan, in a message to the governor in the twenties suggested that the state support elementary and secondary education at that figure. During deliberation in the forties, another commission recommended state suport at a 40 percent level. Some Biennial Aids Adjustment Committee had also recommended an increase in state support to 40 percent. Prior to 1970, state support had peaked at about 30 percent.

Guaranteed valuations for K-12 districts increased in 1971-72 to $47,900 and in 1972-73 to $52,000. This was significant when compared with previous increases, but did not nearly reach the recommendations of $59,000 and $64,000 made by the Kellett Committee.

Recommendation #2: The distribution of shared taxes for support of general local government take into consideration need and local effort.

The commission was not charged with the responsibility of revising overall state tax policy. However, present tax policy was hurting the educational program in the state, it was necessary to make recommendations in this area. The commission believed education was among the state's most important responsibilities and that the tax sharing formula needed to be revised to acknowledge that responsibility. The formula in use at the time had provided state funds to municipalities making only a minimal local tax effort to provide municipal services.

The commission concluded that the present system of distributing shared taxes was inequitable and that this inequality was a serious obstacle to equalization of educational opportunity. The commission, therefore, recommended that the distribution of shared taxes take into account need and local effort and provide for equalization based on those factors. It also suggested that a limit on the spending of individual municipalities be imposed, above which the state would reduce or stop sharing in those costs.

Recommendation #3: The school aid formula should be based upon income as well as property taxes within a school district.

As indicated earlier, the property tax alone was not an adequate measure of ability to pay; ability to pay was more accurately gauged by income. At the time, income data by school district was not available. This recommendation assumed that the Department of Revenue would revise income tax forms to collect this information and have it available for the legislature's consideration in 1973. Depending on what the figures showed, the school aid formula would then be revised to include income as well as property valuation in the school aid formula.

Property valuation was not an adequate measure of ability to pay and income did correlate with the ability to pay; however, it was not a measure of a school districts wealth unless the school board could tax it. Only the state had that power. Therefore, regardless of income, only tax available was property. That we did not have the income data by school district was not the only barrier to using income for the general state aid formula. Should income have been taxed in the district where it is earned or where the wage earner lives? Frequently these were different districts. How was income for a person with two or more homes, a cottage, or other kinds of property to be distributed? What of out-of-state ownership of property in Wisconsin?

Chapter 333, Laws of 1973, created 71.11(24)(d), allowed the Department of Revenue to provide a space for indentifying the school district in which the taxpayer resided. While future tax forms offered such a space, the number of returns received with the space blank or inaccurate made it impossible to do a study of income as a basis for the general aid formula. Ultimately, section 71.11(24)(d) of stats was repealed.

Recommendation #4: Until income data by school district was available, flat aids to school districts were to be held at their former levels.

The preliminary report recommended that flat aids be discontinued, since the commission felt that the equalization formula recommended was a sounder method for determining school aid. However, high property values in some of the districts did not necessarily reflect a corresponding ability to pay. To suddenly eliminate the money those districts had been receiving might have created a hardship in some communities. Therefore, the recommendation was changed to hold flat aids at their former levels ($62/grade school student, $80/high school student) until the income information was available.

If the aid formula was increased to 40 percent as recommended, it would have reduced the number of K-12 flat aid districts. As it was, flat aid payments were increased to $66 and $84 in 1971-72 to $70 and $88 in 1972-73. They were eliminated entirely in 1973-74.

Recommendation #5: The school aid cost limination be increased to 115 percent.

The 1969 legislature adopted a net operating cost limitation factor of 110 percent in determining the eligibility of a school district to receive state aid. If a district exceeded the statewide average of school costs by more than 10 percent, it would not receive aid on excess amounts above the 10 percent. The commision believed that there were some high-cost districts which, owing to geography, special programs required to meet the needs of their school population, or other factors, were unable to reduce costs below this level without impairing their educational programs. Therefore, it recommended increasing this limitation to 115 percent. **The ceiling of 110 percent remained during 1969-70 and 1970-71. In 1971-72 the legislature established a variable ceiling from 105 to 120 percent depending upon the equalized valuation/student membership. The variable ceiling was in effect in 1971-72 and 1972-73. In 1973-74, cost controls limited expenditures to $55/pupil over 1972-73 expenditures. Cost controls were eliminated in 1974-75; however, they returned in 1975-76 at 9.5 percent.**

Recommendation #6: The property tax be administered and property assessed uniformly throughout the state.

The equalized value (full value) of property played such a key role in determining the amount of aid a school district received that the necessity for having property assessed frequently and according to the same standards was too obvious to require demonstration. The commission felt such a program of uniform assessment could best be conducted by trained, competent assessors, under the direction of the Wisconsin Department of Revenue, on a county or regional basis. At a minimum, they said property should be evaluated every three years; ultimately they felt the job should be done annually.

The equalized valuation of school districts was the sole barometer used in the formula to determine the districts' ability to fund education. To use a guaranteed valuation/student for all similar districts and have inaccurate equalized valuation of school districts caused a distortion of state aids distribution. Thus, the state created an incentive for counties to establish countywide assessment systems with professional personnel. Only one county adopted this program.

Recommendation #7: Shared-time students be included in computing school aids.

A number of local school districts provided shared-time instruction to students from private schools, the commission recommended that shared time be employed widely. Although expenditures for those students were included in net school costs under the state aid formula, the commission recommended that the full-time equivalent membership of such students be included in the resident membership of the school district for purposes of calculating state aid payments. This recommendation was not accepted by the legislature.

Recommendation #8: Special funding be provided for low or high population density districts where the school aid formula was not adequate.

The school aid formula worked effectively for the majority of school districts but there were a few districts on either end of the range that had additional financial burdens, caused by extremely high or low population density.

The commission proposed that provisions be enacted through which the State Board of Elementary and Secondary Education would be empowered to provide additional state aid (not to exceed 15 percent of the per pupil costs multiplied by the number of pupils of each affected district) to compensate for extreme conditions relating to population sparsity or density. This provision was made expressly to provide a reasonable guarantee of equal educational oportunity for all students in the state.

This recommendation was not embraced by the legislature either.

Wisconsin is the only state without a State Board of Elementary and Secondary Education.

Recommendation #9: The existing school aid formula continue to be studied, with a view to including a system for rewarding excellence.

The recommendations relating to the school aid formula in Wisconsin recognized the fundamental soundness of the existing formula. However, the changing technology of education and, particularly, the growing emphasis on evaluation of the output of schools, suggested that the formula consider more output-oriented criteria as they become available in the future. The existing formula can be modified to provide financial incentives for those programs that were of greater educational value or were producing better educated children.

1969 LEGISLATIVE SESSION

The Legislative Council Education Committee membership for the 1969 legislative session included the following:

Senator Holger B. Rasmusen, Co-chairperson, Spooner
Senator D. Russell Wartenfer, Co-chairperson, La Crosse
Senator William C. Hanson, Secretary, Stevens Point
Senator Raymond C. Brice, La Crosse
Senator Walter J. Chilsen, Wausau
Senator Carl W. Thompson, Stoughton
Representative Carolyn J. Blanchard, Edgerton
Representative Herbert J. Grover, Shawano
Representative Raymond Heinzen, Marshfield
Representative George H. Klecka, Wauwatosa
Representative Oscar A. Laper, Rock Springs
Representative Earl F. McEssy, Fond du Lac
Representative David R. Obey, Wausau
Representative Bruce S. Peloquin, Chippewa Falls
Representative William Rogers, Kaukauna
Representative Merrill E. Stalbaum, Waterford
Elvin Conway, Superintendent of Schools, Fredonia
Ben Guthrie, School Board Member, Lac du Flambeau
John Kramer, Fennimore
Margaret Varda, Madison
Edward A. Wiegner, Milwaukee

The Legislative Council's Education Committee was directed by law (sec. 13.83(21)) to review the state school aid formula and report its findings and recommendations to the

Legislative Council. In performing this duty, the committee was required to meet with the two co-chairperson and the ranking minority member from each house of the Joint Committee on Finance.

The committee met with four representatives of the Joint Committee on Finance several times to discuss the school aid formula and make determination of the extent to which the state should participate in school costs during the 1969-71 biennium. The State Superintendent of Public Instruction and members of his staff appeared before the committee, answered questions, and submitted written documents on the operation of the aid formula, including an update of the general aid formula.

In 1968-69 there were 465 school districts in Wisconsin operating under one of the following systems:

Milwaukee (Special Charter)	1
City School Districts	46
Unified School Districts	14
Common School Districts	388
Union High School Districts (UHS)	16
Total	465

Excess Aids

In 1967-68, excess aid payments went over the $1 mill mark for the first time. In that school year, 11 districts received $1,040,144 in excess aid payments. In 1968-69, 54 districts received almost 6 million in excess aid. Although these final 1968-69 figures were not available to the Education Committee at the time of its review of the formula, it was apparent that the excess aid feature of the formula was assuming proportions far beyond what had been intended.

Two research reports prepared for the Tarr Task Force (education research reports No. 3 and 4) discussed excess aid payments in some detail. As pointed out in education research report no. 3, the 1949 act which established the present school aid formula set the maximum rate which could be levied in districts operating high school grades at 15 mills on the equalized valuation. In the same act, the payment of state aids to integrated K-12 districts was based on a 9-mill required operating levy--that is, the state assisted in meeting the district's costs up to a 9-mill levy. Therefore, during the early years of the formula, in K-12 integrated districts, the state shared in meeting school costs in such districts up to 9 mills, with the local district supporting 100 percent of the costs between the 9-mill levy and the 15-mill maximum levy permitted by law, and the state then paid 100 percent of the net operating cost over the 15 mills.

In 1955 the legislature raised the required operating levy rate from 9 mills to 15 mills for K-12 integrated districts, thus making the levy rate for state cost sharing purposes the same as the 15-mill maximum rate that could be levied by the local districts. Accordingly, excess aid payments were made to those districts with a required operating levy rate of over 15 mills.

The 1963 legislature (effective June 1964) raised to 17 mills both the maximum mill rate for the K-12 districts and the required operating levy rate upon which state aids payments were based. The excess aids payments were made to those districts with an operating levy rate of over 17 mills. This remained unchanged.

The following table shows the number of districts receiving excess aid payments over the years. There has been considerable fluctuation in the number of districts involved each year in these payments. In the earliest year for which data are available, 46 districts received excess aids. This dropped to only one district in 1965, and only 11 districts received excess aids in 1967-68.

The table also shows the amount of excess aids paid to these districts from 1952 to 1969. These amounts have also fluctuated. It is significant that the number of districts and the amount of excess aids declined markedly when guaranteed valuations were raised. For example, there were substantial guaranteed valuation increases for the 1959-60 and 1964-65 school years. As the table shows, excess aids payments in those years declined substantially from the previous year.

Payment Year	Number of Districts	Excess Aid (in dollars)
1952	--	$ 257,336
1953	--	688,485
1954	--	522,131
1955	46	776,016
1956	8	77,670
1957	12	195,155
1958	7	95,104
1959	11	302,401
1960	4	70,244
1961	5	87,159
1962	2	2,142
1963	5	53,300
1964	11	707,357
1965	1	22,577
1966	5	142,550
1967	4	100,581
1968	11	1,040,144
1969	54	5,973,780

-- not available

In its review of the school aids program, the Education Committee noted the rapid acceleration of school costs in recent years.

There are diverse factors which affect school costs. One obvious cause has been the consistent growth in the number of children attending public schools. An important factor in this increased enrollment has been the transfer of private school pupils into the public schools.

> In the past 4 years, enrollment in private schools in Wisconsin has decreased by 15 percent. This decrease reflected a 12% increase in public school enrollments in the same period of time, when

school administrators expected enrollments to level off and begin to decline. It is estimated by the Department of Public Instruction that the decline in private school pupils will accelerate over the next biennium, with a loss of 28,942 private school pupils in 1969-70 over the previous year and a decrease of 40,451 pupils in 1970-71 over 1969-70.

The continued improvement in school programs and expansion of services to school children have also affected school costs. As in all other areas of the economy, inflation has contributed to increased school costs.

A rapidly accelerating factor in increased costs is the very significant element of teachers' salaries, which represents approximately 68 percent of the current operational costs, exclusive of transportation costs.

Other factors which influence the cost of financing education in our public schools are:

1. The autonomy of local school districts—the substantial authority at the local level to make decisions on the school program, salaries and other aspects of education determines to a great extent the level of costs in the districts.

2. The geographic location of school districts, whether it be urban, suburban or rural, influence the labor and teacher costs as well as transportation and other items.

3. The ratio of elementary to high school students in K-12 districts. The DPI found that in 1966-67, on the average, high school education was 1.3 times as costly as elementary education, so that the balance of students between these 2 segments has an impact on total costs.

4. Also bearing on costs. Length of school year, extent of summer school program, number and kinds of special courses, etc.

Before reaching a conclusion on possible changes in the level of state school aids, the Education Committee requested the Department of Public Instruction supply it with additional information regarding school costs, general aid guaranteed valuations, and levy rates. The following information was transmitted to the committtee during personal appearances by the state superintendent of Public Instruction and members of his staff.

1959-60 to 1968-69
(in millions of dollars)

Year	Net Operational Costs (1)	General State Aid	State Aid Percentage
1959-60	183.0	50.9	27.8
1960-61	201.3	56.8	28.2
1961-62	224.5	63.4	28.2
1962-63	250.0	71.8	28.7
1963-64	278.3	78.7	28.3
1964-65	309.1	84.7	27.4
1965-66	366.2	96.1	26.2
1966-67	405.2	117.5	29.0
1967-68	469.1	134.7	28.7
1968-69	561.1 (2)	154.0 (2)	27.4

(1) Net operational costs include the costs of operation and maintenance of the school districts less operational receipts.
(2) Estimates

General state aid as a percentage of net operational costs average 28 percent during the ten-year period. The committee was informed that the state superintendent was recommending to the governor, a new method of determining guaranteed valuations for inclusion in the 1969-71 executive budget. This method would have permitted an automatic adjustment of the guaranteed valuation annually so that state support would move up as school costs increased. The department also advocated repealing the excess aids provision if the new method for establishing guaranteed valuation was approved.

The state superintendent emphasized that every effort be made to stabilize the property tax levy for school purposes and noted that by pegging the change in the guaranteed valuation to a statutorily established "mill-rate index," the level of state support could be increased as necessary to maintain a relatively stable property tax rate. He further recommended that 15 mills be used as the "mill-rate index." The average operating levy rate in 1968-69 was around 15 mills, and the department felt an attempt should be made to hold the level constant. If the mill-rate index was set lower, the state would be paying a higher proportion of school costs. If it was set higher, fewer state dollars would be required.

Average Costs and Operating Levy Rates for K-12 Districts

	Average Net Costs Pupils (in $)	Guaranteed Valuations	Statewide Average Operating Levy Rate (in mills)
1965-66	447	34,000	13.15
1966-67	477	38,000	12.55
1967-68	513	39,000	13.62
1968-69	607	39,000	15.56
1969-70	683*	39,000	17.51
1970-71	758*	39,000	19.44

*Estimates

The table shows the average cost/pupil and the average operating levy rates for 1965-55 through 1968-69. It also estimates the average net cost/pupil and statewide average operating levy rates for 1969-70 and 1970-71 if the guaranteed valuation was to remain at $39,000. **In the past, when a guaranteed valuation was established for two-years, the statewide average operating levy rate increased substantially during a period of sizable cost increases. This was the primary reason for the state superintendent's recommendation for a "mill-rate index" to establish the guaranteed valuation.**

Greater emphasis continued to be placed on the state's share of the cost of education, and a question arose as to what should be included when establishing the percentage. The state's contribution to social security and teacher's retirement was paid out of general purpose revenue directly to the social security and teacher retirement offices. It was felt that these judgements should be added to state aids payments made to local districts to make the percentage more favorable for the state. Including these payments in total state aids payments during the 1968-69 revealed that the state would be providing 35 percent of the total operating costs of school districts. If the 15-mill index was approved, the department estimated that the state would be paying 39 percent of the operating costs in 1969-70 and 44 percent in 1970-71.

At its November meeting, the committee approved the 15-mill index procedure for determining the guaranteed valuation for 1-12 districts and directed that a bill be prepared implementing this idea. The committee also directed that the bill eliminate the excess aid provision and increase the flat aids of $1 for every $1,000 increase in guaranteed valuations resulting from the 15-mill index.

The committee also directed that a "proportional" increase in aids for the UHSs and separate K-8 districts be developed. Because committee members disagreed as to what was considered "proportional," the final decision was not made until the December 2 meeting. They then agreed to increase guaranteed valuations for UHS and K-8 districts proportional to the increase in the K-12 guaranteed valuations under the 15-mill index.

The committee noted that the Tarr Task Force had recommended that UHS districts and separate K-8 districts be abolished and that all areas of the state be organized into K-12 districts by July 1, 1972. The Education Committee expressed its approval of this proposal and recommended to the Legislative Council that it introduce legislation in the 1969 legislature that would abolish all UHS districts by July 1, 1971. The committee felt that the small number of UHS districts (16) merited moving the date forward from 1972 to 1971.

Committee Recommendations

The committee's recommendations regarding the school aid formula were contained in LRB-450, which became Senate Bill 4. The bill did three things:

1. In integrated aid districts, establish a new method for determining the guaranteed valuation/pupil for school aid purposes and for determining the flat aid/pupil amounts;

2. Eliminate excess aid payments; and

3. Remove the statutory limits on school districts' taxing authority.

The Education Committee was concerned about the local property taxpayer's burden for financing school programs and services. To effectively limit accelerating local property tax rates, the committee concluded that a 15-mill rate index should be established by law; it would be used to determine the guaranteed valuation each year in integrated K-12 districts receiving aid. This would set a statewide 15-mill average operating levy rate which would be maintained by adjusting aid payments upward as school costs increased or downward as costs decreased.

SB 4 implemented this method for automatically adjusting the guaranteed valuation/pupil in integrated K-12 districts. For K-12 districts, the specific guaranteed valuation in the statutes would be removed and the following new procedure used:

Step A: **Mill Rate Index**

The mill rate index of 15 mills for K-12 districts would be established by law.

Step B: **Net Costs**

The net per pupil cost for K-12 districts in each year of the biennium would be determined.

$683 per pupil in 1969-70 (estimate)
$758 per pupil in 1970-71 (estimate)

Step C: **Guaranteed Valuations**

The net per pupil cost would be divided by the mill rate index to arrive at the annual guaranteed valuations:

Example:

$$1969\text{-}70 \;-\; \frac{\$683 \text{ (net cost pupil)}}{15 \text{ mills (mill rate index)}} = \$45{,}500 \text{ (guaranteed valuation/pupil)}$$

$$1970\text{-}71 \;-\; \frac{\$758 \text{ (net cost pupil)}}{15 \text{ mills (mill rate index)}} = \$45{,}500 \text{ (guaranteed valuation/pupil)}$$

For the integrated union high school and separate elementary districts, the current guaranteed valuations were removed from the statutes. Senate Bill 4 provided that the guaranteed valuations for these districts would be adjusted annually to amounts bearing the same relationship to the K-12 guaranteed valuations set under the 15-mill rate index as current guaranteed valuations bore to the $39,000 K-12 guaranteed valuation, as follows:

	1969-70	1970-71
K-8	$39,000 is to $45,500 AS $30,500 is to [$35,600]	$39,000 is to $50,500 AS $30,500 is to [$39,500]
UHS	$39,000 is to $45,500 AS $67,000 is to [$88,700]	$39,000 is to $50,000 AS $76,000 is to [$98,400]

Flat aids in integrated districts would be changed annually under the bill by increasing per-pupil aid by $1 for each $1,000 increase over $39,000 made in the K-12 guaranteed valuation. No changes were made in any of the basic aid categories by Senate Bill 4. (The tables below show the estimated effect of SB 4 on guaranteed valuation and flat aids). Because of the increase in the guaranteed valuation which would result from the application of the 15-mill rate index in setting the guarantee, the Education Committee included a repeal of excess aid payments in the bill. The committee felt that the excess aid provision would be inappropriate in combination with the 15-mill rate index.

Also included in Senate Bill 4 was an elimination of mill limitations on levy rates school districts could establish. With the excess aid provision repealed, the committee believed that districts should be permitted to levy whatever was needed at the local level to support education.

Estimated Effects of SB 4 on Guaranteed Valuations
(in dollars)

Type of District	Guaranteed Valuations 1968-69	Senate Bill 4 1969-70	Senate Bill 4 1970-71
K-12, Integrated	39,000	45,500	50,500
UHS, Integrated	76,000	88,700	98,400
UHS, Basic	55,000	--	--
Elementary, Integrated	30,500	35,600	39,500
Elementary Basic	24,500	--	--

-- not applicable

Estimated Effects of SB 4 on Flat Aids/Pupil
(in dollars)

Type of District	Flat Per Pupil Aid 1969-69	Senate Bill 4 1969-70	Senate Bill 4 1970-71
K-12, Integrated			
High School	58	65	70
Elementary	45	52	57
UHS, Integrated	58	65	70
UHS, Basic	40	--	--
Elementary, Integrated	45	52	57
Elementary, Basic	30	--	--

-- not applicable

In 1965 with the passage of the current aid bill, average daily membership and operational costs were placed on a current-year basis in the general state aid formula. The question of a current equalized valuation being used in the formula had been raised in subsequent years.

In AJR 106 (1967 session), the Legislative Council's Education Committee was directed to study problems arising from computing equalized valuations based on one-year-old figures in allocating costs in joint school districts. The committee was also directed to study the feasibility and desirability of using current computations in such allocations.

The question was discussed at length at the March 26 and November 11, 1968 committee meeting. The committee gave consideration to the impact of changing tax laws so that the school levy would be placed on the current equalized valuations. The following basic steps were involved in determining equalized valuations at the time:

1. All real and personal property was assessed as of May 1 by the local assessors. The assessment had to be completed before the first Monday in July. (ss. 70.10, Wisconsin Stats.)

2. On the second Monday in July, the boards of review in each city, village, and town met to examine the assessment rolls. The boards of review met as many times as necessary to complete their work. (ss. 70.47(1)).

3. On or before the second Monday in August, a statement of assessment was transmitted to the Department of Revenue, the state supervisors of assessments, and the county clerk. (ss. 70.53)

4. Before September 15, the Department of Revenue completed full value determinations of property in each county, city, village, and town. (ss. 70.57)

5. No later than the first Monday in October, the state supervisors of assessments met with the county board equalization committees to review the full values. Each county equalization committee submitted its recommendations on the valuation figures to the county board, which then determined the full values. (ss. 70.61)

6. Upon appeal by a taxation district, the Tax Appeals Commission (in the Department of Administration) reviewed the county assessments and, if necessary, redetermined them. (ss. 70.64)

When the city, village, and town full valuations were firm, the equalized valuation of each school district was determined. Specifically, ss. 121.06 provided:

> 121.06(1) Annually on or before August 1, the full value of the taxable property in each school district, in each part of a city, village and town in a joint school district and in each city authorized to issue bonds for school puposes, including territory attached only for school purposes, shall be determined by the department of [revenue] according to its best judgement from all sources of information available to it and shall be certified by the department to the state superintendent.

> (2) The state superintendent shall certify to each school district clerk the appropriate full values certified to the state superintendent under sub. (1).

At its March meeting the commitee heard testimony from the secretary of the Department of Revenue, James R. Morgan. He explained that there were 1,830 government units (assessment districts); a large number of these (over 75 percent) elected their assessors in April of each year. The assessment date was May 1 of each year, and the local assessor listed each parcel of land with its valuation and established the assessment roll at that time.

The Department of Revenue conducted mass appraisals in each county every six years. The mass appraisal was a quick inventory of all real property, with or without reference to ownership or lot lines. Before the field survey is begun by the supervisor of assessments, plat, aerial, and soil maps were obtained and updated; real estate sales for three years prior were identified on the maps; and each property that had been sold was viewed and, in may cases, on-the-spot interviews were conducted with the owner.

After analysis, common trends in the sale of various kinds of property were used as benchmark values and applied to all other property based on the judgement of the supervisor of assessment field staff.

Between the six-year mass appraisals, full values were determined by rising sales--ratio statistics and information gathered from local assessors. Local officials reported changes in property values owing to a variety of causes (annexations or detachment, new construction, changes in assessment levels, and so forth.

Secretary Morgan pointed out that under the current system it would have been nearly physically impossible to certify equalized valuations to the Department of Public Instruction by July (when the common and UHS districts held their annual meetings to determine the budget and tax levy for the district) in the year the local assessment was made; there would have been some difficulty, as well, in treating the city school districts differently from common or unified districts. Morgan commented that the present system for determining equalized valuation, was not posing a serious problem. He observed that over a period of years any inequities within a school district probably averaged out, even though equalized valuations were based on a prior year.

At the November meeting, the committee voted to table the matter of using current-year equalized valuations in allocating school costs among municipalities in a joint school district. The committee concluded that it was not administratively feasible to move to a current basis for certifying equalized valuations. Although AJR 106 directed a study be made on using current valuation for establishing the levy and previous information dealt with the equalized valuation determination for use of the levy, the same information would be important if it was suggestted that a current valuation be used in the general aid formula. As stated previously, there had been suggestions to use the current equalized valuation in the formula.

Section 121.06(1) of the Wisconsin statutes provided that annually, on or before August 1, the full value of the taxable property in each school district be certified by the Department of Revenue to the state superintendent. **The August 1 deadline was actually 15 months after the May 1 assessment date; (not August 1 of the current year) more often than not, the valuations were received from the Department of Revenue late in September. To expect the valuation to be certified on a current basis with any degree of accuracy was not possible.**

> (b) For the 1970-71 school year, the amount of excess aids phaseout assistance for such districts shall be 10% of the excess aids received for the 1968-69 school year.

This was the second time the legislature had established a guarantee after legislative change adversely affected school districts. The first time was in 1965-66; when the current aid bill was passed, average daily membership and operational costs were placed on a current basis in the general aid formula. Subsequently, all districts were guaranteed at least as much state aid in 1965-66 as they had received in 1964-65. Chapter 154 guaranteed state aid payments to local school districts during 1969-70 at least equal to the aid they were eligible for in 1968-69.

Chapter 154 also increased the guaranteed valuation for integrated aid districts operating only elementary grades from $30,500 to $42,000; for integrated aid districts with union high schools from $76,000 to $105,000; and for integrated aid districts operating both elementary and high school grades from $39,000 to $42,000 in 1969-70 (and to $42,500 in 1970-71).

Chapter 154 further created section 121.18(2) of the Wisconsin statutes.

> The department annually shall review the estimated budgets of at least 1/3 of those school districts in which it finds the per pupil cost to exceed the statewide average by $100 or more and for any such district may determine to reduce or eliminate, for state aid purposes, any cost which the state superintendent finds to be extreme. The state superintendent shall notify the school district immediately upon making a decision to reduce or eliminate a cost for state aid purposes.

Chapter 501, Laws of 1969, published March 25, 1970, deleted the final sentence of the net operational cost created in Chapter 154, section 121.07(6). It also amended Chapter 154, section 121.07(e) of the statutes by increasing the guaranteed valuation for integrated aid districts operating both elementary and high school grades from $42,500 to $43,500 for 1970-71. It further amended section 3812 by establishing a guarantee of state aids payments to local school districts for 1970-71 of at least 80 percent of the total aid eligibility for 1968-69. The phaseout of excess aids paid in 1968-69 was increased from 17 percent to 70 percent in 1969-70 and from 10 percent to 40 percent in 1970-71.

1969-70

Factors involved with the general state aid formula:

Statistics Used for all School Districts

1968 Equalized Valuation
1969 Levies
3rd Friday in September, 1969 Membership
1969 Summer School
Budget 1969-79

Guaranteed Valuations

			Flat Aid*
Integrated - 12 grade districts		$42,000	$62 - 80
Integrated - 8 grade districts		$42,000	$62
Basic - 12 grade districts		**	$30 - $40
Basic - 8 grade district		$24,500	$30
Integrated UHS		$105,000	$80
Basic UHS		$55,000	$40

*All Basic Districts received flat aids.
**75% of Integrated Level.

110% Ceiling on Net Cost

	Required Rate Ceiling	
	Estimated	Actual
Integrated 12	17.88	17.48
Integrated 8	15.90	17.74
Integrated UHS	9.64	9.81

Statistical Data

Number of school districts.

Basic elementary school districts	22
Integrated UHS district	14
Basic UHS district	1
Integrated 8 grade district	49
Integrated K-12 or 1-12 grade district	369
	455
Closed	2
Total	457

Enrollments in public schools.

Enrollment in Public Schools	980,064
Resident adm	944,643
Nonresident adm	1,603

State Aid Payments.

Flat Aids	$ 64,074,965.00
Equalized Aids	121,419,236.45
1968-69 100% Guarantee	3,486,608.92
Nonresident Aid	44,106.00
Excess Cost Aid Phaseout	1,590,148.57
Total	$190,613,515.94

Districts Receiving Equalization Aid*.

	Number	Amount
Integrated - 12	340	$ 120,135,248.39
Integrated - 8	17	$ 726,873.10
Integrated UHS	6	557,114.96
Total*	363	$ 121,419,236.45

*Includes excess cost aids.

Operating Costs	$ 695,447,202.51
1968 Equalized Valuation	$28,914,188,100.00

The increase in guaranteed valuation from $39,000 to $42,000 for integrated K-12 districts was not sufficient to compensate for increased costs, and the number of districts exceeding 17 mills went up to 72 in 1969-70. The payment during 1969-70 at 100 percent of excess would have been $2,271,640.70.

The general aid formula has been used to distribute state funds to local school districts for over 20 years and so it might be appropriate to compare 1949-50 with 1969-70 and explore what affects it has had on the objectives established in Chapter 600, Laws of 1949.

Education is a State Function

Education is a state function and as such the state has a direct responsibility in contributing financially to the support of all administrative units in districts offering a satisfactory educational program and exerting a minimum local effort to finance an adequate program.

During 1949-50, the state of Wisconsin provided an appropriation for general state aids of $16,500,000.

In 1969-70, the appropriation for the general state aid program totalled $213,273,200. This is indeed a sizable commitment to public education.

Equality of Educational Opportunity

Wisconsin's Equalization aid program supplements the tax base in low valuation districts by placing a guaranteed valuation back of each resident child in an attempt to equalize educational opportunities for all students in the state.

Even with the large increase in funding provided by the state over the last twenty years, the guaranteed valuation in the formula during most of this period has not provided sufficient funds to provide an enriched program without sizable increases in local support. It would be more appropriate to state that the state equalization formula has guaranteed all students a basic educational offering and attempted to equalize local levy rates by supplementing the tax base in low valuation districts. During periods when the guaranteed valuation has remained static as during 1959 through 1964 when the guarantee remained at $33,000 for integrated K-12 districts followed by an increase of only $1,000 for 1965 and 1966 the state transferred a major portion of the increased costs to local districts. This action prompted the state superintendent to suggest an index method of having the general aid formula keep pace with the rising costs and keep the state's role in funding elementary/secondary education in tune with cost increases.

Local Ability and Effort

The property tax load can become excessive, and the state support program attempted to keep taxes within certain limits. While it may be difficult to determine the point at which a property tax load becomes excessive, state aids support legislation determined that a required operating levy of 15 mills for integrated K-12 or 1-12 districts was excessive. When maximum limits for current operation were reached, the state aids program assumed any excess operational costs.

The legislature recognized in 1963 that an increase in guaranteed valuation was necessary or many integrated K-12 districts would exceed the 15-mill limit. They decided to increase the guarantee for the 1964-65 school year, while increasing the rate limit for excess aids from 15 to 17 mills.

In 1968-69, the excess cost aids program totalled almost $6 million. The 1969 legislature amended section 120.10(8) of the statutes, deleting the operational tax levy limit, repealing excess cost aids, and creating legislation that established a ceiling for sharing equalization aid. This was a departure from the original concept contained in Chapter 600, which recognized that the property tax load could become excessive.

This action was necessary because the legislature failed to keep its partnership agreement for funding elementary and secondary education; it had not increased guaranteed valuation in the formula to keep pace with rising costs. To compensate for this inaction, local district levy rates increased, and no state support was available when rates became excessive.

Quality of Education

The quality of educational programs is a basic concern in determining the amount of state support paid to local school districts.

The incentive created in the formula which classified school districts as either basic or integrated caused districts to improve and enrich educational offerings so that they would be classified as integrated levels and receive a greater amount of state support. In 1951-52, 4069 elementary districts, 48 twelve grade districts and 23 UHS districts were classified as basic and received lower levels of state support. In 1969-70, 22 elementary districts were basic, no K-12 districts were basic with only 1 UHS classified basic.

Organizational Patterns

The incentive feature in the state aid formula that offered greater state support to districts organized on a K-12 or 1-12 grade pattern had a significant impact on district structure over the 20 years from 1949-1969.

Number of Districts

	1951-52	1969-70
Elementary districts	4,069	69
Union high Schools	69	15
K-12 districts	308	369
Total	4,446	453

Most students of school finance will agree that the general aid formula performed two very important functions during this time; it improved educational offerings and school district structure.

1970-71

Factors involved with the general state aid formula:

Statistics Used for all School Districts

1969 Equalized Valuation
1970 Levies
3rd Friday in September, 1970 Membership
Budget 1970-71

Guaranteed Valuations

				Flat Aid*
Integrated	- 12	grade districts	$43,500	$62 - 80
Integrated	- 8	grade districts	$42,000	$62
Basic	- 12	grade districts	**	$30 - $40
Basic	- 8	grade district	$24,500	$30
Integrated UHS			$105,000	$80
Basic UHS			$55,000	$40

*All Basic Districts received flat aids.
**75% of Integrated Level.

110% Ceiling on Net Cost

	Required Rate Ceiling	
	Estimated	Actual
Integrated 12	18.96	18.85
Integrated 8	20.07	19.74
Integrated UHS	11.10	10.85

All districts classified basic-8 and basic-UHS received flat aids. Districts guaranteed 80 percent of 1968-69 state aids. Districts with 1967 equalized valuation/member of less than $23,000 received 40 percent of excess aids paid in 1968-69.

Statistical Data

Number of school districts.

Basic elementary school districts	19
Basic 12 grade district	2
Integrated UHS district	14
Basic UHS district	1
Integrated 8 grade district	49
Integrated K-12 or 1-12 grade district	367
	452
Closed	2
Total	454

Enrollments in public schools.

Enrollment in Public Schools	993,736
Resident adm	960,321
Nonresident adm	1,546

State Aid Payments.

Flat Aids	$ 65,135,458.00
Equalized Aids	130,659,231.47
80% Guarantee of 1968-69	1,995,913.98
Nonresident Aid	37,840.00
40% Excess Cost Phaseout	908,656.30
Total	$198,735,553.75

Districts Receiving Equalization Aid*.

	Number	Amount
Basic -12	2	$ 35,227.65
Integrated - 12	334	129,463,286.05
Integrated - 8	16	643,345.74
Integrated UHS	6	517,372.03
Total*	358	$ 130,659,231.47

*Includes excess cost aids.

Operating Costs	$ 782,970,360.50
1968 Equalized Valuation	$31,441,560,400.00

1971 LEGISLATIVE SESSION

The Education Committee of the Legislative Council for the 1971 legislative session included:

Senator Holger B. Rasmusen, Co-chairperson, Spooner
Representative Lawrence H. Johnson, Co-chairperson, Algoma
Senator Raymond F. Heinzen, Marshfield
Senator Martin J. Schrieber, Milwaukee
Senator Nile W. Soch, Whitefish Bay
Senator Carl W. Thompson, Stoughton
Representative Manny S. Brown, Racine
Representative Anthony Earl, Wausau
Representative Herbert J. Grover, Shawano
Representative Gerald A. Greider, La Crosse
Representative George H. Klecka, Wauwatosa
Representative Ernest J. Korpela, Washburn
Representative Oscar A. Laper, Rock Springs
Representative Esther Luckhardt, Horicon
Representative Bruce Peloquin, Chippewa Falls
Representative Ervin Schneeberg, Brown Deer
Representative John Van Hollen, Chetek
Ben Guthrie, Public Member, Lac du Flambeau
John Kramer, Public Member, Fennimore
Walter Ploetz, Public Member, Cudahy
Mrs. Carlton Rogge, Public Member, Cudahy
Margaret Varda, Public Member, Madison

The Education Committee discussed the school aid formula at three meetings with the four Joint Finance Committee representatives. The state superintendent of Public Instruction and members of his staff appeared before the committee, answered questions, and submitted written documents regarding the operation of the aid formula. The committee reviewed the formula established by the legislature in 1949, analyzed the partnership arrangement between the state and local school districts. It agreed that the state should increase the guaranteed valuation for K-12 districts to retain the 30% level.

The state superintendent informed the committee that he had recommended a new mill rate index method for determining guaranteed valuations to the governor for inclusion in the 1971-73 executive budget. This method was patterned on the state superintendent's proposal to the governor in 1969-71, which had been supported by the 1967-69 Education Committee. This index method would provide for an automatic annual adjustment of guaranteed valuations so state support would keep up with school costs increases. The state superintendent believed that this would stabilize the property tax levy for school purposes. By attaching the change in the guarantee valuation to a statutorily established mill rate index, the level of state support would increase, maintaining a relatively stable local property tax rate.

The state superintendent proposed that 17 mills be used as the mill rate index, since this was the appropriate average required operating levy rate in 1970-71. If adopted, the resulting guaranteed valuation in K-12 districts would be $50,300 in 1971-72 and $54,600 in 1972-73, as indicated in the following:

$$1971\text{-}72\ -\ \frac{\$855\ \text{(estimated net cost/pupil)}}{17\ \text{mills (mill rate index)}} = \$50{,}300\ \text{(guaranteed valuation/pupil)}$$

$$1971\text{-}72\ -\ \frac{\$928\ \text{(estimated net cost/pupil)}}{17\ \text{mills (mill rate index)}} = \$54{,}600\ \text{(guaranteed valuation/pupil)}$$

The state superintendent also recommended that the 110 percent limitation on the state's share of support of school costs be raised to 120 percent.

The guaranteed valuation for integrated K-12 districts from 1949 through 1971 showed why the mill rate index was necessary if the state's role was to be maintained at a reasonable level, as is indicated in the following table.

State Guaranteed Valuation/Pupil
1949 to 1971
(in dollars)

Year(s)*	K-12 Guaranteed Valuation
1949-51	$ 17,000
1951-53	19,000
1953-55	21,000
1955-57	23,500
1957-59	28,000
1959-61	33,000
1961-63	33,000
1963-64	33,000
1964-65	34,000
1965-66	34,000
1966-67	38,000
1967-68	39,000
1968-69	39,000
1969-70	42,000
1970-71	43,500

*Beginning in 1963-64, annual, rather than biennial, adjustments were made in the guaranteed valuation.

The Governor's Commission on Education completed its work at the time the committee was reviewing the aid formula. William Kellett, chairman of the commission, presented the commissions recomendations regarding school aids to the education committee. The Commission felt that the state was relying too heavily on the property tax to finance schools and that educational excellence was jeopardized as a result. Furthermore, the commission had been told that the property tax burden had reached its limit, and it concluded that the state should move toward an "ability-to-pay" system to finance public schools. The Kellett Commission felt that property values were not an adequate reflection of the community's ability to pay taxes; rather, this ability was more adequately reflected by income.

The commission recommended that school aids, which in 1969-70 constituted approximately 30 percent of the net operating cost, be increased to 40 percent and maintained at that figure. At the 40 percent level, the guaranteed valuation behind each student in integrated K-12 districts would be raised to $59,000 in 1971-72 and $64,000 in 1972-73. The commission also recommended that the cost sharing limitations be raised from 110 percent to 115 percent.

At its August meeting, the Education Committee spent considerable time discussing the 17-mill index. A number of committee members felt that placing it in the statutes (thereby providing an automatic increase in the guaranteed valuation each year) would provide greater assurance that the local property tax would remain somewhat stable, since the state aids contribution would automatically increase. Proponents of this proposal felt the possibility for unwarranted escalation in state funding would be prevented; the legislature could review the mill rate each season and increase it if necessary, thereby decreasing state support. Some legislators felt that a mill rate index figure would seriously handicap the legislature by establishing biennial priorities among state-funded programs.

At its December meeting, the Education Committee made its final decision. It directed its staff to prepare two bill drafts for consideration:

- LRB 6071, which complied with the DPI's recommendation for establishing a 17-mill index, and
- LRB 544, which made guaranteed valuation changes in K-12 districts resulting from the application of the 17-mill index by following the present method of raising statutory guaranteed valuations.

The committee's final recommendations were:

Guaranteed Valuations
(in dollars)

	Present	1971-72	1972-73
K-12	$ 43,500	$ 50,300	$ 54,600
UHS	105,000	105,000	115,000
Elementary	42,000	42,000	46,000

Flat aids remained at the 1970-71 level. These recommendations were contained in Assembly Bill 60. The committee also recommended that the limit for cost sharing be increased from 110 percent to 115 percent. This action was contained in Assembly Bill 61. AB 60 and AB 61 failed to pass.

Chapter 125, Laws of 1971, saw the following changes:

> 121.05(2) of the statutes is created to read: (2) in a school district operating its regular school term on a continuous basis, the school district clerk shall add to the number of pupils enrolled on the third Friday in September any pupils who are not enrolled by are residing in the school districts and will become full-time students on or before December 31 of the same year.
>
> 121.07(6)(b) In computing state aid for a school district, that portion of its net operating costs per pupil which is more than 5% above the average per pupil net operating cost for the current school year for school districts of like organization, as determined by the state superintendent, shall be excluded.
>
> 121.07(6)(c) If the net operating cost per pupil of an integrated aid district operating both elementary and high school grades is more than 5% above the average per pupil net operating cost for the current school year for school districts of like organization, the limitations set by par. (b) shall be increased by 2% for each full

$1,000 by which its school district equalized valuation per pupil for the current school year is less than the average per pupil school district equalized valuation for the current school year for school districts of like organization. The net operating cost of a school district, as calculated under this paragraph shall not exceed its actual net operating cost, nor may the limitation exceed 120% of the average per pupil net operating cost for the current school year for school districts of like organization, whichever is less.

121.07(c) for integrated aid districts operating only elementary grades, $45,000 in the 1971-72 school year and $49,800 thereafter.

(a) for integrated aid districts which are union high school districts, $114,600 in the 1971-72 school year and $124,500 thereafter.

(e) for integrated aid districts operating both elementary and high school grades, $47,900 in the 1971-72 school year and $52,000 thereafter.

121.11(2) No school district under this section may be paid less than $66 in the 1971-72 school year and $70 thereafter per resident pupil enrolled.

121.12(2) No union high school district under this section may be paid less than $84 in the 1971-72 school year and $88 thereafter per resident pupil enrolled.

(3) The union high school district shall be paid $84 in the 1971-72 school year and $88 thereafter per non-resident pupil enrolled which shall be deducted from non-resident tuition claims under 121.82(2).

The recommendations of the Education Committee regarding the general equalization aid formula were not embraced by the legislature in the 1969 and 1971 legislative sessions. The changes in the formula were made by the Joint Finance Committee and were included in the budget bill (Chapter 154 in 1969 and Chapter 125 in 1971).

1971-72

Factors involved with the general state aid formula:

Statistics Used for all School Districts

1970 Equalized Valuation
1971 Levies
3rd Friday in September, 1971 Membership
1971 Summer School adm
Budget 1971-72

Guaranteed Valuations

					Flat Aid*
Integrated	-	12	grade districts	$47,900	$66 - 84
Integrated	-	8	grade districts	$45,900	$66
Basic	-	12	grade districts	**	$30 - $40
Basic	-	8	grade district	$24,500	$30
Integrated UHS				$114,000	$84
Basic UHS				$55,000	$40

*All Basic Districts received flat aids.
**75% of Integrated Level.

Ceiling on Net Cost

Net cost of operation (in dollars)		Variable Ceiling (in percent)				Guaranteed Valuation (in dollars		Ceiling Rate (in mills)
832	X	105	=	874	÷	47,900	=	18.25
832	X	106	=	872	÷	47,900	=	18.41
832	X	120	=	998	÷	47,900	=	20.84

K-12 Districts

Equalized Valuation (in dollars)	Variable Ceiling (in percents)	Estimated Rate (in mills)	Actual Rate (in mills)
35,500	105	18.25	17.95
35,000 - 35,499	106	18.41	18.12
34,000 - 34,999	108	18.77	18.48
33,000 - 33,999	110	19.10	18.81
32,000 - 32,999	112	19.46	19.14
31,000 - 31,999	114	19.97	19.50
30,000 - 30,999	116	20.15	19.83
29,999	118	20.50	20.17
0 - 28,999	120	20.84	20.52

Type of District	Ceiling not to exceed 105 (in percent)	Estimated Rate (in mills)	Actual Rate (in mills)
K-12 Basic	--	--	--
UHS Integrated	105	10.28	10.07
UHS Basic	105	21.42	20.98
K-8 Integrated	105	19.98	19.35
K-8 Basic	105	37.43	36.24

-- not available.

Guarantee: If the 1971-72 aid less than the 1970-71 aid, 70 percent of the difference between the two amounts was added to the 1971-72 aid for all districts.

Statistical Data

Number of school districts.

Basic elementary school districts	16
Basic 12 grade district	2
Integrated UHS district	13
Basic UHS district	1
Integrated 8 grade district	46
Integrated K-12 or 1-12 grade district	366
Total	444

Enrollments in public schools.

*Enrollment in Public Schools	999,921
Resident adm	976,966
Nonresident adm	1,570

*This was the highest enrollment experienced. In subsequent years enrollments went down.

State Aid Payments.

Flat Aids	$ 69,634,652.00
Equalized Aids	150,042,510.58
70% Guarantee of 1968-69	2,227,408.07
Nonresident Aid	45,948.00
Total	$221,950,518.65

Districts Receiving Equalization Aid*.

	Number	Amount
Basic -12	1	$ 31,733.52
Integrated - 12	329	149,031,593.48
Integrated - 8	13	498,457.71
Integrated UHS	3	480,925.87
Total*	346	$ 150,042,510.58

*Includes excess cost aids.

Operating Costs	$ 853,566,300.05
1968 Equalized Valuation	$34,806,243,500.00

1972-1976: THE GOVERNOR'S TASK FORCE ON EDUCATIONAL FINANCING AND PROPERTY TAX REFORM

On January 7, 1972, Governor Patrick J. Lucey established by executive order the Task Force on Educational Financing and Property Tax Reform. The text of the executive order follows:

EXECUTIVE ORDER NO. 29

WHEREAS, the education of our children is the basic foundation on which an informed and involved society rests; and

WHEREAS, each child has the right to equality in educational opportunity; and

WHEREAS, the present reliance on local property taxes as the primary source of revenue for public elementary and secondary school expenditures denies this basic right by fostering fiscal determination; and

WHEREAS, the present system of financing public education creates wide disparities in property tax burdens thoughout the state and makes the quality of a child's education a function of the wealth of his parents or community; and

WHEREAS, the soaring property tax burden in recent years has created tremendous pressure on the financial resources of individuals and districts and has further undermined the ability to the locale to provide necessary educational opportunity; and

WHEREAS, the weight of property taxation has become intolerable to the general public, to the development of business and to the functioning of local district and governments; and

WHEREAS, the disparity in property taxation has come under attack by court rulings in other states and by the initiation of court action in Wisconsin; and

WHEREAS, the courts have clearly indicated that the use of the local property tax for education financing violates the equal protection requirement of the 14th Amendment of the United States Constitution; and

WHEREAS, such court rulings have added urgency to the long-overdue need to end the disparity in educational financing and opportunity inherent in our present system;

NOW, THEREFORE, I, PATRICK J. LUCEY, Governor of Wisconsin, do hereby create

THE GOVERNOR'S TASK FORCE ON EDUCATIONAL FINANCING AND PROPERTY TAX REFORM

and charge the task force to:

1. Re-examine the whole base for financing public elementary and secondary education in Wisconsin.

2. After careful consideration of alternatives, make recommendations for shifting the base of elementary and secondary school funding from the local property tax to other means of public support, therefore eliminating the disparity of educational opportunity and tax burden in our state caused by the financial discrimination inherent in our present property tax system.

3. Incorporate the recommendations in a final report which will be submitted within one year and which will include, but not be limited to, proposed legislation for the 1973 legislative session to enact state policy proposals by the task force.

In order to fully carry out its charge, the task force or any committee thereof may hold public hearings and request all interested parties to testify and submit data. The task force will also have full authority to conduct independent research, publish interim and final reports, contract for services, accept grants and services and do whatever else might be required to complete its task. The staff support will be coordinated by an executive director, who may request the cooperation of other state agencies as needed in support of the task force.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Wisconsin to be affixed. Done at the Capitol in the City of Madison this 28th day of January in the year of our Lord one thousand nine hundred and seventy-two.

PATRICK J. LUCEY
GOVERNOR

Members of the Governor's Task Force on Educational Financing and Property Tax Reform were the following:

Ruth B. Doyle, Chairperson
Madison
Representative Manny Brown, Vice-chairperson
Racine
Michael Harder, Executive Director
Madison

C. K. Alexander
Madison

Representative James Azim
Muscoda

Senator Everett Bidwell
Portage

Robert Carter
Beloit

James Clark
Poynette

Charles Clausen
Milwaukee

Eric Danielson
New Berlin

Richard Darr
River Falls

Carol Dodge
Keshena

Grace Drath
Kenosha

Irene Evans
Racine

Katherine Gansheroff
Milwaukee

Ken Germanson
Milwaukee

Norman Gill
Milwaukee

Ray Glynn
Frederic

Representative Herbert Grover
Shawano

Harry Guzniczak
Franklin

Senator Raymond Heinzen
Marshfield

James Highland
Union Grove

Harold Jackson
Milwaukee

Phil Johnson
Darien

Senator Raymond Johnson
Eau Claire

William Kahl
Madison

Ralph Koenig
Milwaukee

Edward Kossak
Superior

Clarence Krupp
La Crosse

Annrita Lardy
Madison

Kathryn Morrison
Platteville

George Nikolay
Cambridge

Joe Nusbaum
Madison

Henry Ochsner
Plain

Norman Parsch
Wausau

John Rose
Green Bay

Nancy Simenz
Sheboygan

Vickie Simon
Milwaukee

Ronald Stuber
Ashland

Randy Surbaugh
Eau Claire

Senator Carl Thompson
Stoughton

Representative Robert Thompson
Poynette

Representative Tommy Thompson
Elroy

Representative Raymond Tobiasz
Milwaukee

Richard Trujillo
Milwaukee

Harry Wallace
Thiensville

Edward Wiegner
Madison

Eugene Winkler
Oshkosh

The task force, also called the Doyle Task Force, was concerned that education be well supported in Wisconsin. It was concerned that the benefits of the educational system be equally available to all eligible citizens and that accidents of residence not determine the quality of the educational experience. Further, it was concerned that the burden of educational support be eased and shifted from its dependence on the property tax to other bases of support. Each of the recommendations was prepared with three tests clearly in mind:

> Did it provide properly for education?
> Did it contribute to equalizing opportunity?
> Did it provide property tax reform and relief?

The task force made five general school financing recommendations which they felt would provide quality educational opportunities and property tax relief. The following sections describe the proposed changes in the current aid formula.

Recommendation 1: We recommend that every school district be guaranteed the same wealth base as measured by property value for each pupil. This means that for all districts, regardless of their local property value, equal tax effort will raise equal dollars for education.

This recommendation was voted on and received unanimous support of the committee.

To modify the general aid formula to provide for the same tax base behind each pupil could be achieved in a number of ways.

One method was to increase the guaranteed valuation for K-12 districts to an amount equal to the highest valuation/student, which in 1973-74 was $151,300 in the Kohler School District. To increase the 1973-74 guaranteed valuation to $151,300 for integrated K-12 districts would have increased state aid substantially.

K-12 Membership	Guaranteed Value		Guaranteed Valuation of K-12 Districts	
927,465 x $151,300		=	$140,325,454,500	
K-12 1971 Equalized Value		-	38,845,931,136	
Net Guarantee			$101,479,523,364	
Net Operational Cost			$ 986,982,539	= Required Levy rate .00703 Mills
Guaranteed Valuation			$140,325,454,500	

Levy Rate		Net Guaranteed		General State Aid
.00703	X	$ 101,479,523,364	=	$713,758,257

The state aid payment in 1973-74, with the guaranteed valuation of $71,200, was $419,800,480; this included the transfer of teacher retirement and social security to local districts.

$713,758,257 - 419,800,480 = $293,957,777

Another option, which the committee debated for a considerable length of time, was to transfer the authority to levy a tax for school purposes from local school boards to the state. The state would establish a mill rate that would be used on all parcels of land on the tax roll to collect taxes for school purposes. The statewide mill rate being discussed was 15 mills. When multiplied by the 1973 equalized valuation of $45,539,641,900, it would have produced over $683 million. The difference between this figure and the operational costs would be made up by state aids.

At the time the committee was struggling with this option, the state of Michigan was seriously considering adopting a uniform property tax rate to be administered by the state. However, it was not accepted by the state legislature. The opposition in Michigan (it was assumed it would have also occurred in Wisconsin) was the loss of local control and the problem of determining a method of distributing funds to local districts. This option was discarded in favor of a power equalization program that impacted upon all school districts; the committee felt this would meet the intent of the recommendations.

The equalization aid formula established by the legislature in 1949 acted as a power equlization factor for all districts whose equalized valuation/student was less than the guaranteed valuation, inasmuch as they determined the required levy rates in the general aid formula by dividing the net operational cost by the guaranteed valuation.

Districts with an equalized valuation greater than the guaranteed valuation determined their required levy rate by dividing the net operational cost by the actual equalization valuation of the school district, thus enjoying a lower levy rate for the same expenditure level.

(For example, in 1973-74, with the guaranteed valuation of $71,200 for all K-12 equalization districts and with a net cost of $1,068/student, a district could support this cost with a required levy rate of 15 mills. A district with an equalized valuation of $133,438 per student and spending $1,068 per student could fund it with a required levy rate of 8 mills.)

Under a recommendation that all districts be subject to power equalization, all districts spending at the same level would have to tax at the same level. This would be accomplished by requiring all integrated K-12 districts to use $71,200 as the figure for establishing the required levy rate. Multiplying this rate by the actual equalized valuation of the district would produce the levy for operational costs. Those districts producing less than their net operational costs would receive general state aid to supplement the levy. Those districts producing more than the net operational cost would forward the difference to the state.

All integrated K-12 districts with a net cost of operation of $1,068/student membership would have a required levy rate of 15 mills.

District A has an equalized valuation/student of $35,600
.015 x $35,600 = $534.00
District B has an equalized valuation/student of $133,438
.015 x $133,438 = $2,001.57

Thus, District A would receive $534.00 of general state aid, while District B would forward $933.57 to the state treasurer.)

Recommendation 2: School spending controls were recommended to ensure immediate property tax relief and in the future to reduce spending disparities among districts in order to further equalize educational opportunities.

In its determination to reduce the property tax for school purposes, the task force felt controls could:

1) Protect the state against exorbitant demands for state aid,
2) Guard the property taxpayer against excessive property tax rates, and
3) Help to assure the equal availability of educational sources.

Under the current formula, if all districts doubled their spending from one year to the next, their aid would not be cut. Aids would double, because as all districts spend more, the average increases.

Current controls did little to ease the burden of the property tax. Flat aid districts faced no spending restriction, and low aid districts had so little aid that limitations did not discourage them from high spending. In both cases, the property taxpayers were without protection. The committees recommends a direct control on school spending, particularly in the year of increased aids.

Recommendation 3: In order to provide the school with property tax relief, the task force recommended that the state provide funding sufficient to reduce the local property tax rate to a statewide average of 15 mills until the property tax yields $750 million. This would eventually be the maximum which the property tax ought to provide. The effect of this recommendation was to provide a declining percentage of dependence upon the property tax and a declining property tax rate.

At the time that this recommendation was made a part of the task force report, the statewide property tax for school purposes was $788 million, which exceeded the limit before the report was even filed. In 1980-81 the statewide property tax levy was $1,097,754,906, which would have required additional state aids of $347 million under this proposal. It was generally agreed that the property tax was regressive and took a larger proportion of income from low-income groups than from high-income groups. Property tax payments were generally made from income, but the amount of property held determines liability. Therefore, people on low fixed incomes had greater difficulty in paying their property tax.

It was also generally agreed that the property tax was a relatively stable tax, easily administered with firm data to determine the among of the levy (equalized valuations and levy rates determine the amount placed on the tax role). To rely on the general state aids to the extent of this recommendation would have been fine if income and sales taxes were sufficient to provide the funding. However, what recourse would school districts have had if these two sources were not sufficient? School districts needed a stable tax and rely on the property tax for a major source of funding.

Recommendation 4: The task force recommended the expansion of aidable costs to include interest and principal on long-term debt and capital outlay included in annual budgets. The 1949 Commission on Improvement of the Educational System had recommended the state's contribution to education be provided for in a single aid program. It was not considered practical then to provide aids for the handicapped, transportation and buildings in the general aid program; but it was felt that when a stable aid program was developed, a plan should be evolved to create an integrated aid program.

Although there was no effort to establish a single aid program, the task force did recommend that capital outlay and principal and interest on long-term indebtedness be included in the general aid formula. This was long overdue and represented a major change in the state's role of funding elementary and secondary education.

Recommendation 5: To ease the transition from reliance on a high wealth base/student to an equalized wealth base, a two-year period of adjustment was recommended.

In addition to the general recommendations, a number of specific ones were advanced regarding the formula.

(1) "Aidable Costs." All operational costs, minus operational receipts, plus all budgetary annual capital outlay plus principal and interest payments on long-term indebtedness are included in the equalization process.

(2) Costs subject to the temporary spending control. The per pupil increase in certain costs will be limited from 1972-73 to 1973-74. The increase will be an amount per pupil equivalent to 5% of the 1972-73 statewide average per pupil. The limited costs are aidable costs minus transportation and principal and interest payments. The staff estimated the 1972-73 average of these costs of be $870.00, so the permissable increase is $43.49 per pupil.

(3) Costs subject to the permanent indirect spending controls include all aidable costs. The lower of the two guaranteed valuations will apply to all costs in excess of 107% of the previous year's average of these costs. The staff estimated the 1972-73 average of these costs to be $941. Therefore, all costs in excess of 10% of the amount, or $1,007, are subject to the lower guaranteed valuation.

The task force felt that the principle of curtailing increases in educational spending was desirable, but the cutoff method of aid at some level of expenditure increase was inequitable. There was no restraint on the wealthiest districts; only those districts with valuations below the guaranteed amount needed to conform to the aid cutoffs. Instead of a cutoff, the task force recommended a modification in the formula calling for two levels of funding, with the state continuing to fund at both levels.

The two levels would provide for a guaranteed valuation for the first level, which would share in the net cost of operation up to a point at which the second guaranteed valuation (one considerably lower than the first) would be used to determine the level of sharing. The two-level guaranteed valuation was intended as a deterrent to excessive spending, inasmuch as the level of state support would be lessened at the second level. However, it would not entirely cast off state support at the second level.

(4) Total state aids will be based on total educational costs and the property valuation of the state.

In 1973-75, it is estimated that total state aids will be $272.21 million more than in 1971-73. They are calculated as follows:

All school costs in 1973-74 are $1.03 billion: Fifteen mills times a valuation of $44.4 billion equals $665.9 million.

Subtracting that amount from school costs leaves $364.49 million to be paid by state aids.

Calculating according to the same process for 1974-75, using $1.098 billion in costs and $48.55 billion valuation, results in a state aid payment of $369.72 million. During the 1973-75 biennium, these total $734.21 million. This is a $272.21 million increase over the $462 million distributed during 1971-73.

This same process would be used to calculate aids in the future until the valuation of the state exceeded $50 billion. At that time, 15 mills would yield $750 million. After that, the above process would use that amount rather than the product of 15 mills multiplied by the valuation of the state.

(5) Calculations of guaranteed valuations.

The lower guaranteed valuation will always be the average property valuation per pupil in the state. This is computed by dividing the number of pupils in a year into the total property valuation of the state.

The higher guaranteed valuation is set so as to distribute the desired amount of state aid plus the payments from school districts. The desired amount of state aid will be an amount sufficient to maintain a 15 mill average property tax or a $750 million yield from the property tax, calculated as described above.

The Doyle Task Force submitted its report to Governor Lucey on February 23, 1973, with the hope that a number of its recommendations would be accepted and legislative action would follow.

1972-73 Factors involved with the general state aid formula:

Statistics Used For All Districts

1971 Equalized Valuations
1972 Levies
3rd Friday in September, 1972 Membership
1972 Summer School
Budget 1972-73

Guaranteed Valuations

					Flat Aid
Integrated	-	12	grade districts	$52,000	$70 - $88
Integrated	-	8	grade districts	$49,000	$70
Basic	-	12	grade districts	75% of Integrated Level	$30 - $40
Basic	-	8	grade district	$24,500	$30
Integrated UHS				$124,500	$88
Basic UHS				$55,000	$40

Variable Ceiling for K-12 Integrated Districts

Equalized Valuation (in dollars)	Variable Ceiling (in percent)	Estimated Ceiling Rate (in mills)	Actual Rate (in mills)
37,500 or more	105	17.81	17.63
37,000 - 37,499	106	17.98	17.79
36,000 - 36,999	108	18.33	18.13
35,000 - 35,999	110	18.65	18.46
34,000 - 34,999	112	19.00	18.81
33,000 - 33,999	114	19.33	19.13
32,000 - 32,999	116	19.67	19.48
31,000 - 31,999	118	20.02	19.81
0 - 30,999	120	20.35	20.15

Ceiling for Other Type Districts

			Actual
K-12 Basic	Ceiling Not to Exceed 105%		
UHS Integrated	105% Ceiling	9.92	9.80
UHS Basic	105% Ceiling	22.45	22.18
K-8 Integrated	105% Ceiling	19.38	18.59
K-8 Basic	105% Ceiling	39.39	37.80

Statistical Data

Number of school districts.

Basic 8 grade school districts	10
Integrated 8 grade district	49
Basic 12 grade school districts	1
Integrated 12 grade school district	368
Integrated UHS district	13
Total	441

Enrollment in Public Schools	995,223
Resident	965,973
Nonresident	1,634

State Aid Payments.

Flat Aids	$ 73,499,178.00
Equal Aids	164,154,536.85
Nonresident Aids	51,480.00
Total	$237,705,194.85

Districts Receiving Equalization Aid.

	Number	Amount
Integrated - 8	12	$ 467,840.92
Integrated UHS	4	545,281.96
Integrated - 12	335	163,141,413.97
Total	351	$164,154,536.85

Operational Costs	$916,166,341.78
1971 Equalized Valuation	$37,289,608,100.00

1973 Legislative Session

The education committee of the Legislative Council for the 1973 legislative session included the following membership:

Officers

Senator Raymond F. Heinzen
Co-chairperson
Marshfield

Representative Manny S. Brown
Co-chairperson
Racine

Secretary

Representative Janet S. Mielke
Milton Junction

Senators

Walter John Chilsen
Muscoda

Bruce S. Peloquin
Milwaukee

James C. Devitt
Greenfield

Carl W. Thompson
Stoughton

Representatives

James M. Azim, Jr.
Muscoda

Robert L. Jackson, Jr.
Milwaukee

Harvey L. Dueholm
Luck

Joanne M. Duren
Cazenovia

Michael Ferrall
Racine

Herbert J. Grover
Shawano

George H. Klicka
Wauwatosa

Midge Miller
Madison

Sam L. Orlich
Milwaukee

Robert L. Quackenbush
Sparta

Public Members

Meyer Cohen
Green Bay

Frank Joswick
Pulaski

Jean Rowe
Marshfield

Paul J. Kelly
Madison

John N. Kramer
Fennimore

Roger G. Lowney
Merrill

Mrs. Carleton Rogge*
Fond du Lac

* Resigned 10/13/72

The Education Committee and representatives of the Joint Finance Committee held two meetings to fulfill the charges in section 13.83(2) of the statutes.

1971 Session Ranking Members Of Joint Committee on Finance*

Walter G. Hollander
Senate Chairman
Rosendale

Henry Dorman
Senate Ranking Minority Member
Racine

George Molinaro
Assembly Chairman
Kenosha

Byron F. Wackett
Assembly Ranking Minority Member
Watertown

*Under s. 13.83(2), these members of the Joint Committee on Finance are required to meet with the Council's Education Committee to make recommendations to the council on the school aid formula.

Materials were requested and received from the Department of Public Instruction and the Governor's Task Force on Educational Financing and Property Tax Reform.

The recommendations resulting from these meetings were contained in LRB 1428/2, which was submitted to the Legislative Council at its meeting on January 29, 1972.

The council voted to introduce the proposal, which became 1973 Assembly Bill 388.

Recommendations Contained in A.B. 388

Place All Territory in K-12 Districts

The bill requires that all territory in the state be in a K-12 grade school district by July 1, 1975. The purpose of this requirement is to provide a uniform organizational pattern for school districts in the state. It is believed that the most effective school district organizational pattern is all 12 grades are being under a single board, it can provide a means of coordinated planning and management of the total school program, thus permitting better utilization of the financial and educational resources of an area.

Increase K-12 Guaranteed Valuation

The bill increases the guaranteed valuation for K-12 integrated districts from $52,000 per pupil in 1972-73 to:

$70,900 in 1973-74
$78,500 in 1974-75

Both the Department of Public Instruction (DPI) and the Governor's Task Force on Educational Financing have urged that a large portion of the anticipated state general revenues which will be available in 1973-75 be used for property tax relief through improvements in the school aid formula. Assembly Bill 388 follows DPI's recommendations regarding increased guaranteed valuations of $70,900 and $78,500 for the biennium.

Consistent with the recommendation that the separately constituted K-8 and union high school districts be eliminated by the end of the biennium, no changes are recommended in the present guaranteed valuations for those two types of school districts.

Expanded Definition of Aidable Costs

The bill extends the items which can be included in school districts costs for aid computation purposes. Presently, the net operating costs are used in computing aids. Under the bill, net operating costs plus annual capital outlay and interest payments on long-term debt would constitute the "shared cost" on which aids are based. **(This was somewhat similar to a recommendation of the governor's task force.)**

The new definition assumes that the state should share in the local district's costs relating to interest and capital outlay. This departure from present law is supported on the grounds that these items can be considered essential aspects of the operation of the schools and, therefore, that the state should offer some relief to the local property taxpayers from the burden of financing these items.

Changing State Cost Sharing Limit

Assembly Bill 388 changes the present cost sharing limit of 105 percent on current statewide average net costs (with 2% increments up to 120 percent for districts with equalized valuation below the statewide average) in two major respects.

1. The state will share in the support of school costs up to 107 percent of the average cost per pupil for the previous school year, using the statutorily

established guaranteed valuations. (The two percent incremental raising of the cost limits up to 120 percent is eliminated.)) Thus, aids on this portion of school district costs would be computed as follows:

$$\begin{array}{l} \text{State Aid} \\ \text{on Costs =} \\ \text{Up to 107\%} \end{array} \quad \frac{\begin{array}{c} \text{School District} \\ \text{Costs UP TO 107\%} \\ \text{of Average Costs} \end{array}}{\text{Guaranteed Valuation}} \quad \text{X} \quad \begin{array}{c} \text{Guaranteed Valuation} \\ \text{MINUS} \\ \text{Equalized Valuation} \end{array}$$

This proposal was also a recommendation of the governor's task force.

The rationale for these cost sharing limitations particularly with the substantial increase in the state funding level proposed in the bill, is that some limits should be placed on the local costs to which the state will contribute support. It is believed that a lower level of state support for costs over 107 percent of the average costs of the previous year will discourage excessive spending and will assist in narrowing disparities in school spending among the districts.

Eliminate Flat Aids and Institute "Power Equalizing"

Assembly Bill 388 eliminated flat aid payments. Further, in school districts having an equalized valuation which is higher than the guaranteed valuation, no state aid would be paid. Those districts would pay to the state an amount by which the district's equalized valuation exceeds the guaranteed valuation, multiplied by the mill levy rate. The bill contains a transitional provision for districts affected by this so-called "power equalizing" or payback feature of the bill. In 1973-74, such districts would be required to pay to the state only one-third the amount owed the state, and in the 1974-75 only two-thirds the amount owed would be paid. (This recommendation was the same as a governor's task force recommendation.)

The intended effect of this provision is that high valuation districts will contribute to the support of lower valuation districts. This procedure is supported on the grounds that it would equalize the tax base available to school districts to support education costs. It was argued that such a provision is consistent with recent court decisions on school financing.

Assembly Bill 388 failed to pass pursuant to Assembly Joint Resolution 13.

The Biennial Budget Bill

Assembly Bill 300, the biennial budget bill, became Chapter 90, Laws of 1973, published August 4, 1973. It included the following education-related provisions:

Teacher Retirement and Social Security Payments

Section 40.40(3) regarding social security payments for public employees was repealed and section 42.20(5)(d) was amended to assign the school district rather than the state as employer for payment of the employer's share of teacher retirement and social security. This change required school districts to budget for and pay the employer's share of teacher retirement and social security beginning in the 1973-74 school year.

County Elementary Aid Eliminated

Section 59.07(21) of the statutes was repealed eliminating the $350 per elementary teacher unit that school districts traditionally received from the county (effective in the 1973-74 school year).

This impacted upon the general aid formula inasmuch as the $350 per elementary teacher was considered a deductible receipt, thus reducing the net cost of operation in the formula. In 1972-73, the counties paid local districts $8,889,650 for 25,399 elementary teachers. At 40 percent funding, this increased the formula by more than 3.5 million.

Section 121.02 of the statutes was repealed and recreated to replace the basic and integrated classification of school districts with a set of minimum standards (called the "13 standards") that all districts were required to meet in order to be eligible for the payment of state aids. Districts would in the future be required to comply with at least one-third of these standard by July 1, 1973, two-thirds by July 1, 1974, and all of them by July 1, 1975, in order to be eligible for general state aid.

Section 121.06(d) was amended, changing the date of the annual certification of full value of taxable property in school districts by the Department of Revenue from August 1 to October 1. **This should have been forwarded instead of backward, as it reduced the time districts had their data for budget planning.**

Section 121.07(4) Amended, was placing the equalized valuation for the payment of general aids on a current-year basis beginning in 1974-75.

It would be difficult to administer the general aid program using a current value; only an estimate of the equalized value and computed aids could be arrived at without a firm value.

School district budgets were planned months in advance of the annual July meeting. Beginning in 1974-75, the district would be working on the budget in January of 1974 and computing the general state aid payments for the 1974-75 school year prior to its annual meeting in July. The Department of Revenue would be certifying the 1974 equalized valuation to the DPI on October 1, 1975.

The adjustment of the general state aids for the 1974-75 school year could not take place until October 1975, already three months into the 1975-76 school year.

Cost to be Shared in General Aid Formula

Section 121.07(6)(a) was amended to define the cost to be shared in the general aid formula as the net cost of operation plus up to $100/pupil of the cost for the principal and interest payments on long-term indebtedness and annual capital outlay.

The employer's share of the payments for teacher retirement and social security, which heretofore had been paid directly by the state, became an obligation of the local school district, where it was included in the cost shared in the formula. This amendment treated the utility tax receipt as operational; it had to be subtracted from the operational cost to determine the new operating cost.

Prior to this amendment, utility tax receipts were treated as nonoperational receipts. It had been considered a payment in lieu of taxes; however, the anticipated increase in utility tax receipts prompted the legislature to treat it as operational, thus reducing general state aid. If the tax on utilities was determined by the local district, it would have been part of the property tax and been treated the same as the levy.

Two Levels of State Support

121.07(6)(b) as amended.

The state will share in funding at two levels. The first and highest level of state aid will be computed on the part of a district's shared cost which does not exceed 110 percent of the previous year's statewide average shared cost for districts of like organization. This cost is referred to as the primary shared cost and the aid computed on the primary shared cost is called the primary aid.

121.07(6)(c) as repealed and recreated.

The state will share in funding that part of the shared cost which exceeds 110 percent of the previous year's statewide average at a lower level of support. The shared cost which exceeds 110 percent is called the secondary shared cost and the aid on the secondard shared cost is called the secondary aid. The 110 percent point represents a ceiling for the primary level of support and is called the primary ceiling.

The table below shows the primary level ceiling for 1973-74.

Primary Level Ceiling

Type of District Organization	110% of 1972-73 Shared Cost Per Member for Use in 1973-74
K-12	1149.95
UHS	1512.09
K-8	1183.35

Two Levels of Guaranteed Valuations

121.07(7) through (10)

The primary guaranteed valuation is established by the legislature for each type of district for each of the two years in the biennium.

The secondary guaranteed valuation is an amount rounded to the nearest $100, determined by dividing the equalized valuation of the state by the number of pupils enrolled in the state for like-type districts for each of the two years in the biennium.

Projections for 1973-74 and 1974-75

Type of District	Primary Guaranteed Valuation		Secondary Guaranteed Valuations	
	1973-74	1974-75	1973-74	1974-75
K-12	71,200	74,800	42,400	46,600
K-8	68,200	71,600	40,600	44,600
UHS	170,500	179,100	101,500	111,600

State Aid Payments to School Districts

121.08(1) State Aids

The state shall pay to the school district a sum equal to the amount by which the primary guaranteed valuation exceeds the school district equalized valuation, multiplied by the primary required levy rate and a sum equal to the amount by which the secondary guaranteed valuation exceeds the school district equalized valuation multiplied by the secondary required levy rate.

This portion of the act provides for state payments to be based on the following formulas:

(a) Primary aid

$$\frac{\text{Primary Shared Cost}}{\text{Primary Guaran. Val.}} \times \text{(Primary guaran. val. minus Eq. Val.)}$$

(b) $$\frac{\text{Secondary Shared Cost}}{\text{Secondary Guaran. Val.}} \times \text{(Secondary guaran. val. minus Eq. Val.)}$$

Payments by Certain Districts to the State

Section 121.08(2) and (3) of the statutes was created to provide for districts having an equalized valuation greater than the guaranteed valuation to make payments to the state based on the following formula.

(a) Primary payments beginning with the 1977-78 school year.

$$\frac{\text{Primary Shared Cost}}{\text{Primary Guaran. Val.}} \times \text{Equalized Val. minus Primary Guaran. Val}$$

Power equalization on the primary shared cost will not be implemented until the 1977-78 school year.

(b) Secondary payments beginning with the 1973-74 school year.

$$\frac{\text{Secondary Shared Cost}}{\text{Secondary Guaran. Val.}} \times \text{(Equalized Val. minus Sec. Guaran. Val.)}$$

Power equalization on the secondary shared cost is to be implemented in the 1973-74 school year. Negative secondary aid will be added to the positive primary aid, thus reducing the positive primary aid.

If negative secondary aid more than offsets positive primary aid, a net negative payment would result. However, no negative aid payment will be required prior to the 1976-77 school year.

Transitional Payments

Section 121.08(4) of the statutes is created to provide:

(a) A school district which will receive less state aid in 1973-74 than it received in 1972-73 (general aid plus employer's share of teacher retirement and social security) will receive, in addition to its 1973-74 aid, a transitional payment equal to 90 percent of the difference between its 1972-73 aid and its 1973-74 aid.

(b) A school district which will receive less state aid in 1974-75 than it received in 1972-73 (general aid plus teacher retirement and social security) will receive in addition to its 1974-75 aid, a transitional aid payment equal to 80 percent of the difference between its 1972-73 aid and its 974-75 aid.

Flat Aid Repealed

Sections 121.09 to 121.13 of the statutes are repealed.

Summer School Membership

121.14(2)(c) as amended.

School districts shall be paid the sum of $70 for each non-resident elementary school pupil and $88 for each non-resident high school pupil in summer classes.

State Aid Budget Calculations

Section 115.28(11) of the statutes is created to read:

In preparing the biennial budget request of the department, calculate the amounts of general state aid which is needed by multiplying the estimated current equalized valuation of the state by an appropriate mill rate and subtracting that amount from the estimated statewide shared costs.

SESSION LAWS CONTAINED IN CHAPTER 90, LAWS OF 1973

PROPERTY TAX RELIEF AND COST CONTROL FOR 1973-74

Section 550. School district cost limitations.

The state budget provided for an increase in state general aids to school districts. Part of this increase is intended to provide for property tax relief. To ensure that a portion of the additional state aid does result in property tax relief rather than be used to fund increased expenditures, a limit is imposed on the amount by which a school district may increase the 1973-74 shared cost over 1972-73. **This legislation is a session law and is intended to be in force for the 1973-73 budget only.**

The amount of the limit is $55/pupil and is applicable to all costs except the following:

Net cost of transportation (transportation cost minus state transportation aid)
Principal on long-term indebtedness
Interest on long-term indebtedness
Actual capital outlay
That part of the increase in the employer's share of teacher retirement and social security payments which exceeds $7.50/pupil.

School districts budgeting for the 1974 calendar year may apply the limitation to either the 1974 calendar year over the 1973 calendar year or the 1973-74 fiscal year over the 1972-73 fiscal year.

The membership for either the 1972-73 year or the 1973-74 year whichever is greater, may be used to determine the limited shared cost for 1973-74.

Exemption from Cost Controls

The state superintendent may exempt school districts from cost controls where evidence exists that the cost limitation would:

a) reduce educational programs below an adequate level
b) prohibit the establishment of programs required to meet state standards
c) prohibit continuation of programs previously funded wholly or partially by federal funds.

The state superintendent's exemption of school districts shall be based on evidence that the district has made every prudent efort to control costs in all areas of spending.

Section 550 h. Teacher retirement and social security payments.

A school district may upon request of the state superintendent have its 1973-74 general aid reduced by an amount necessary to make required payments for the employer's share of teacher retirement and social security for the period July 1 through December 31, 1973.

This proposal was established for fiscally dependent school districts that budget on a calendar year and have not been receiving advance payments of general state aid.

Chapter 333, Laws of 1973, published June 28, 1974, amended section 121.02 of the statutes, which was created by Chapter 90. It changed the date for school districts to comply with two-thirds of the standards from 1974 to 1975. Section 121.07(4) as affected by Chapters 61 and 90, Laws of 1973, was also amended to return the equalized valuation for the state aid computation to the prior year by deleting the action contained in Chapter 90 "through aids paid for 1973-74 after which it is for the current year." **This action was necessary inasmuch as the equalized valuations of school districts cannot be established in time to use it in the formula on a current basis.**

Section 121.07(7) as created by Chapter 90 was amended, increasing the primary guaranteed valuation for 1974-75 and thereafter as follows:

	Chapter 90	Chapter 333
K-12	74,800	75,500
K-8	71,600	83,300
9-12	179,100	208,300

1973-74

Factors Involved With The General State Aid Formula:

Statistics Used for All Districts

1972 equalized valuations

3rd Friday in September, 1973 membership
plus 1973 summer school adm

1973-74 budgets

1973-74 levy divided by 1973 equalized valuation = actual levy rate

Cost controls -- expenditures limited to $55/per pupil increase over 1972-73 expenditure rate

Guaranteed Valuations

	Primary Guarantee (in dollars)	Secondary Guarantee (in dollars)		Primary Cost Ceiling (in dollars)	
		Estimated	Actual	Estimated	Actual
K-12	71,200	42,400	42,670	1,149.95	1,132.71
K-8	68,200	40,600	40,900	1,183.35	1,147.32
UHS	107,500	101,500	102,300	1,512.09	1,485.74

Sharable nonoperating cost limited to $100/pupil.

Transitional aid 90 percent of difference between 1972-73 and 1973-74 aid if 1972-73 state aid, including teacher retirement and social security, was greater.

Flat aid for nonresident summer school pupils only at the rate of $70/elementary pupil and $88/high school pupil.

No negative primary aid.

Negative secondary aid deducted to zero.

No payment to state of negative aid in 1973-74. One-third of school district standards must be met to be eligible for state aid.

Statistical Data

Number of Districts

K-12	370
K-8	54
UHS	12
Total	436

Enrollment in Public Schools	987,022
Resident Membership	946,625
Summer School	10,571
Total	957,196

State Aids Payments

Primary	$413,177,849.76
Secondary	10,558,817.52
Total Equalization Aid	17,178,132.45
Summer School	3,316.00
Total	$419,800,480.69
Operational Costs	$1,042,943,395.33
1972 Equalized Valuation	$40,858,6 44,800.00

Changes in statistical data beginning in 1973-74:

- No flat aids, except for nonresidential summer school pupils
- Primary and secondary aids
- No classification of districts

Summary of Changes in General Aids Formula Contained in Chapter 90 and 333, Laws of 1973

All of the changes were recommended by the Doyle Task Force except #2 and #10.

1) Expanded the cost the state would share to include principal and interest on long-term indebtedness and the annual capital outlay (limited to $100/pupil).

2) Transferred the employer's share of teacher retirement and social security payments from the state to local school districts.

3) Established a procedure whereby all school districts are included in the equalization aid formula.

4) Implemented changes in the formula over a period of several years.

5) Discontinued general flat aids.

6) Eliminated the ceilings for sharing state aid and established a two-level system wherein the state continued to share, but to a lesser degree at the second level.

7) Discontinued the classification of school districts, replacing them with a set of standards.

8) Increased the appropriation for general state aids so that the ratio of total state aid to the cost was about 40 percent.

9) Established a procedure for the Department of Public Instruction in preparing the biennial budget request for general state aids.

10) Eliminated county elementary teachers aid.

1974-75

1974-75 Factors involved with the general state aid formula.

Statistics Used For All Districts

1973 equalized valuation (adjusted to exclude valuation of manufacturing, machinery, and equipment)

3rd Friday in September, 1974 membership plus summer school adm

1974-75 Budgets

1974-75 levy divided by 1974 equalized valuation = actual levy rate

Guaranteed Valuations

			Primary Cost Ceiling (in dollars)	
	Primary (in dollars)	Secondary (in dollars)	Estimated	Actual
K-12	75,500	48,200	1,220.00	1,209.93
K-8	83,300	53,200	1,249.00	1,229.37
UHS	208,300	133,000	1,546.00	1,504.45

No cost controls in 1974-75.

Two-thirds of school district standards must be met to be eligible for staste aid

Sharable nonoperating cost limited to $100/pupil. Transitional aid at 80 precent of difference between 1972-73 and 1974-75 if 1972-73 state aid, including teacher retirement and summer school, was greater.

Flat aid for nonresident summer school pupils only at the rate of $70/elementary pupil and $88/high school pupil.

No negative primary aid.

Negative secondary aid deducted to zero.

No payment to state for negative aid in 1974-75.

Statistical Data

Number of Districts

K-12	370
K-8	54
UHS	12
Total	436

Enrollment in Public Schools	974,333
Resident Membership	934,653
Summer School Membership	10,785
Total	945,438

State Aids Payments

Primary aid	$442,826,244.54
Secondary aid	-5,585,472.91
Total Equalization aid	437,240,771.63
Transitional aid	14,852,938.97
Summer School aid	3,476.00
Total	$452,097,196.00
Operational Costs	$1,183,651,066.36
1973 Equalized Valuation	$43,362,916,800.00

The 1975 Legislative Session

The education committee of the Legislative Council for the 1975 legislative session included the following membership:

Officers

Senator Bruce Peloquin
Co-chairperson
Chippewa Falls

Representative R. Michael Ferrall
Co-chairperson
Racine

Senators

James C. Devitt
Greenfield

Kathryn Morrison
Platteville

Thomas E. Petri
Fond du Lac

Carl W. Thompson
Stoughton

Representatives

Delmar E. De Long
Clinton

Joanne M. Duren
Cazenovia

Richard A. Flintrop
Oshkosh

Patricia A. Goodrich
Berlin

George H. Klicka
Wauwaotsa

Ronald H. Lingren
Menomonee Falls

Marjorie M. Miller
Madison

Paul Offner
La Crosse

John R. Plewa
Milwaukee

Calvin Potter
Kohler

William J. Rogers
Kaukauna

Susan Shannon
Brookfield

Public Members

Marvin Brickson
Madison

Warren Carrier
Platteville

Helen Casper
Wisconsin Rapids

Robert Cramer

John N. Kramer
Fennimore

Elmer Winter
Milwaukee

Elizabeth Wright
Madison

Waukesha

The committee met on January 24, 1975, with the two cochairpersons and ranking minority members from each house, in compliance with s. 13.83(2) of the Wisconsin statutes, to consider the advisability of adjusting various components of the school tax formula. Presentations and committee discussion of the school aid formula included a review of the history of the school aid formula by Alan Kingston, assistant state superintendent of the Department of Public Instruction. A motion that the state continue its 40 percent support of the state school aid formula carried on a voice vote. The committee completed its work at this meeting, and no further meetings were scheduled.

The Biennial Budget Bill

Chapter 39, Laws of 1975, repealed the following incomes formerly shared with school districts:

Section 59.20(13) -	National Forest Income.
Section 77.04(3) -	Forest Cropland Income.
Section 79.04(1)(c) -	Utility Tax Distribution.

These three incomes became unavailable to school districts in 1975-76. **The loss of these utility tax receipts impacted upon the general aid formula because they were considered operational.**

Shared Cost Redefined

Section 121.02(2) of the statutes is amended to delete utility tax as a deductible receipt. It now reads as follows:

a) "Shared Cost" is the cost of operation minus the operational receipt, plus the principal and interest payments on long-term indebtedness and annual capital outlay, for the current school year. The sum of the principal and interest payments on long-term indebtedness and capital outlay included in shared cost shall not exceed $100 per pupil. Any amounts contributed by the school district to provide food service programs for the elderly shall not be included.

Primary Ceiling

Section 121.07(6)(a) is amended to delete the phrase "for school districts of like organization"; therefore, all school districts are subject to the same ceiling.

Section 121.07(7)(a) as amended, increases the primary guaranteed valuation to $90,200 in 1975-76 and to $102,700 thereafter.

Section 121.07(8)(c) of the statutes is created to read:

For the 1975-76 and 1976-77 school years, the state superintendent shall substitute the amounts in par (a) with amounts rounded to the nearest $100 determined by multiplying the amounts in sub. (7)(a) by 1.1895.

1.1895 x $90,200 = $107,300 for 1976-76
1.1895 x $102,700 = $122,200 for 1976-66

Section 121.07(9)(c) of the statutes is created to read:

For the 1975-76 and 1976-77 school years, the state superintendent shall substitute the amounts in par (a) with amounts rounded to the nearest $100 determined by multiplying the amounts in sub (7)(a) by 2.8050

2.8050 x $90,200 = $253,000
2.8050 x $102,700 = $288,100

The primary guarantee valuations established in Chapter 39 for UHS and elementary districts were modified by sec. 121.07(8)(c) and sec. 121.07(9)(c).

Special Transitional Aid

Section 121.09 was created to authorize the payment of a special transitional aid to certain school districts which (1) are eligible to receive transitional aid for the 1974-75 school year; (2) which have M & E property exempted in 1974; and (3) which will be eligible to receive transitional aid in 1975-76.

This special transitional aid is based on the amount which would have been required in 1974-75 to make the shared cost levy rate using the adjusted 1973 equalized valuation equal to the shared cost levy rate using the unadjusted 1973 equalized valuation.

Chapter 90, Laws of 1973 provided for transitional aid for 1973-74 and 1974-75 for districts receiving less general aid than they received in 1972-73.

This special transitional aid is available to districts who received transitional aid during 1974-75 and continue to be eligible for transitional aid during 1975-76 and 1976-77 with 70 percent payable in 1975-76 and 60 percent in 1976-77.

State Aid for Summer School Program

Section 121.14(1) of the statutes is appealed and recreated.

State aid shall be paid to each district or county handicapped children's education board only for those academic summer classes or laboratory periods for which the state superintendent has given prior approval as to the content of such classes or laboratory periods so as to assure that such classes or laboratory periods are only for necessary academic purposes. Recreational programs and team sports shall not be eligible for aid under this section, and pupils participating in such programs shall not be counted as pupils enrolled under 121.07(1), nor shall costs associated with such programs be included in shared costs under 121.07(6).

121.14(2) is amended to provide for the summer school average daily membership equivalency to be computed by dividing the total number of classrooms or laboratory periods approved pursuant to sub (1) by 1,080.

This action changes the division from 720 to 1,080, thus requiring an additional 360 periods for each membership.

State Aid to Counties Repealed

Section 121.16, which provided for flat aid payments to counties that maintained programs and educational facilities required to be provided by common school districts, was repealed. This action impacted upon the general aid formula inasmuch as this receipt was operational.

Budget Review Requirement Repealed

Section 121.18, which required school districts receiving state aids in excess of 50 percent of their total receipts to file the budget with the state superintendent on or before July 1, was repealed.

Budget Limitations and Referendum Requirements

Subchapter IV of Chapter 121 was created to provide for cost controls. Section 121.91 was created to limit the extent to which school districts may increase the budgeted shared cost per pupil over the prior year's shared cost per pupil to 9½ percent.

The legislature's action in Chapter 39 established cost control legislation which made the administration of the general aid formula an administrative nightmare. To administer the 9.5 percent cost control limit in 1975-76, the 1974-75 shared cost/pupil had to be established as the base for determining the allowable shared cost increase for 1975-76. To establish the base for 1974-75, adjustments had to be made for the legislative changes made in the 1975 session. These included:

1. Adjusting the 1974-75 shared cost by
    a. adding the national forest income received in 1974-75
    b. adding the forest crop income received in 1974-75
    c. adding the utility tax income received in 1974-75
2. Adjusting the 1974-75 membership by recomputing the 1974 summer school average daily membership equivalency using the 1,080 factor instead of 720.

These adjustments have been necessary every year since 1975 in which there has been a change in the administration of the formula.

For the purpose of determining the maximum allowable shared cost per pupil for 1975-76, school districts were to multiply the adjusted 1974-75 base year shared cost per pupil by 1.095. To determine the total maximum allowable shared cost for the district for 1975-76, the district multiplied the maximum allowable shared cost per pupil for 1975-76 by the 1975-76 membership as adjusted. Districts whose current year membership was less than the prior year's membership could use the average membership for the two years. Districts whose current year membership was greater than the prior year membership had to use the average membership of the two years.

In addition to all of the adjustments needed in the administration of cost controls, the legislation provided for an appeal process for relief; appeals were to be made to the state superintendent if it was found that the limitation would:

1. prevent the development of new or expanded programs under sub. ch. IV:115 (children with exceptional needs);

2. prevent the utilization of a newly constructed school building or an addition to an existing building for the first school term during which such building or addition would be utilized;

3. prevent the full implementation of a comprehensive plan to eliminate racial imbalance in the school district by a stated date.

School districts whose boundaries had been altered through school district reorganization, the state superintendent shall compute the per-pupil share cost for such a district. Finally, the school district may hold a referendum and gain relief from cost controls if the electors of the school districts wanted to exceed the cost control limits.

This legislation, too, placed a tremendous burden on the staff of the state aids division and local school districts because of the additional administrative duties connected with cost controls.

Chapter 224, Laws of 1975, published May 4, 1976, was called the minibudget bill. Section 121.91(5)(d) of the statutes was created to make a cost appealable which was incurred to affect compliance by the school with the specific court, state, or federal agency order, with the exception of orders issued by the Department of Public Instruction directing that district to take an action not required by the order of all other districts.

Section 121.91(5M) was created to authorize the state superintendent to adjust the prior year per-pupil shared cost of the school district for the purposes of computing the allowable shared cost budget for any of the following:

a. a cost that was payable in the prior year, but was paid in the current year, and only where costs payable in the current year are not retroactive obligations;

b. a receipt received in a current year which was receivable in the prior year;

c. a change in the classification of receipts and expenditures that was uniformly applied for all districts.

Section 145L authorized the state superintendent to adjust the 1974-75 per pupil cost to adjust for salaries not paid owing to work stoppages.

Chapter 220, Laws of 1975, published May 3, 1976, was an act to create 20.255(1)(fp), 121.85 of the statutes, relating to establishing transfer programs between school districts and making appropriations.

Section 1. Legislative declaration. The state of Wisconsin hereby declares that it is the announced policy of the state to facilitate the transfer of students between schools and between school districts to promote cultural and racial integration in education where districts and their parents desire such transfer and where schools and school districts determine that such transfers serve educational interests. The state further declares that it is a proper state expense to encourage such transfers through the provision of special aids.

Section 20.255(1)(fp) of the statutes was created to provide aid for pupil transfers.

Section 121.85. Special transfer programs:

Section (6) State Aids.

(a) Intradistrict transfers.

The school district of attendance of pupils transferring from one attendance area to another within the school district shall be entitled to an amount equal to that produced by counting the transfer student as 1.2 for the state aid computation.

(b) Interdistrict transfers.

If a pupil transfers from one school district to another under the interdistrict transfer agreement, the school district of residence shall count each pupil as one pupil involved for state aid computation.

Each time that the general aid formula is used as a vehicle to satisfy a special interest or was subjected to cost controls, transitional aid, adjustment aid, or other such conditions, it works counter to the equalization process. The original formula dealt with student enrollment, operational costs, equalized property valuations, and a guaranteed valuation. By 1975, it involved transfer student programs as well as tax incremental financing. It is frequently said that the formula is too complicated. It should be divested of all the extras and returned it to its original status. It is too important to lose.

1975-76 Factors involved with the general state aid formula

Statistics Used for All Districts

1974 equalized valuation

3rd Friday in September, 1975, membership plus 1975 summer school adm (based on 1,080 periods); membership includes pre school pupils (counted as ½ for regular year only)

1975-76 budgets

1975-76 Levy divided by 1975 equalized value = actual levy rate

Guaranteed Valuations

	Primary (in dollars)	Secondary (in dollars) Estimated	Actual
K-12	90,200	55,400	55,500
K-8	107,300	65,900	66,000
UHS	253,000	155,400	155,700

	Primary Cost Ceilings (in dollars) Estimated	Actual
All Districts	1,405	1,391.81

Cost Controls at 9.5 percent
appeals, referenda or budget cuts required for costs over the 9.5 percent

Sharable non operating costs limited to $100/pupil

No negative primary aid

No payment to state for negative aid in 1975-76

Flat aid for non resident summer school pupils only at rate of $70/elementary pupil and $88/high school pupil

Transitional aid 70 percent of difference between 1972-73 and 1975-76 aid if 1972-73 state aid, including teacher retirement and social security, was greater.

Special transitional aid paid to districts receiving transitional aid who were affected by the loss of taxable property owing to the M & E (machinery and equipment) exemption at 70 percent of the 1974-75 base. Districts must have received transitional aid for both 1974-75 and 1975-76 to be eligible fo this aid, which was a payment in addition to the general aid.

Statute requiring withholding of general aid for noncompliance with 13 school district standards was deleted.

Statistical Data

Number of Schools

K-12	371
K-8	53
UHS	11
Total	435

Enrollment in Public Schools	964,219
Resident Membership	922,982
Summer School Membership	5,136
Total	928,118

State Aids Payments

Primary aid	$483,160,171.56
Secondary aid	-7,911,473.44
Total Equalization aid	475,248,698.12
Transitional aid	8,176,202.05
Summer School aid	1,404.00
Total	$483,426,304.17
Operational Costs	$1,302,264,169.55
1974 Equalized Valuation	$2,581,368,700.00

CHAPTER 7

1977-1982: THE COMMISSION ON STATE-LOCAL RELATIONS AND FINANCING POLICY

On October 17, 1975, Governor Patrick J. Lucey established by Executive Order the Commission on State-Local Relations and Financing Policy. He did thereby:

> Charge the commission with responsibility for investigating, examining, and--in the manner it deems most effective and expeditious--evaluating the relationship between state and local government in Wisconsin, their system of providing and financing public services and, in particular: the role of the property tax and other taxes, the number and structure of taxing jurisdictions, and the administration of tax and financing policies;
>
> Charge the commission with reviewing and updating the recommendations and findings of the public commissions and task forces that have studied state-local relations, financing and taxing policies and problems, over the last 25 years--including the work of the Tarr Task Force, the Kellett Committee, the Doyle Task Force, and the Church Committee on Metropolitan Problems.
>
> Further charge the commission with responsibility for recommending to the governor and legislature the changes and innovations necessary to improve the state-local partnership in Wisconsin, to maintain the quality of public services, and to make Wisconsin's system of government financing more equitable and efficient;
>
> Ask that the commission submit its final report to me and the legislature before January 1st, 1977.

The 53-member Commission included the following

Harry L. Wallace, Chairperson, Wauwatosa

David W. Adamany[1]
Madison

Representative James N. Azim, Jr.[2]
Muscoda

Donald Bina, President
West Salem School Board
LaCrosse Farmer's Union,Coon Valley

William R. Bechtel, Secretary
Dept. of Local Affairs and Development,
Madison

Thomas More Bertels
Professor of History
Silver Lake College, Manitowoc

Herbert Grover, Superintendent
Niagara School District, Niagara

Robert Birnbaum, Chancellor
University of Wisconsin-Oshkosh

Manuel Carballo, Secretary
Dept. of Health & Social Services
Madison

Dennis Conta[3], Secretary
Department of Revenue, Madison

Gregory Conway, Attorney
Green Bay

Rita Crooks
Lincoln-Langlade-Marathon County
Human Services Board, Wausau

Representative Lawrence Day[3]
Eland

Charles Dow
National Farmer's Organization
Glenwood City

Mayor Anthony V. Dufek
Manitowoc

John Duncan, President
Metropolitan Milwaukee Assoc.
of Commerce, Milwaukee

Robert Dunn[4], Secretary
Department of Administration, Madison

Anthony S. Earl, Secretary
Dept. of Natural Resources, Madison

Lois Ebbeson
Sturgeon Bay

Senator James Flynn
West Allis

Kenneth Germanson, COPE Director
for International Union, Allied
Industrial Workers, AFL-CIO
Milwaukee

Norman N. Gill, Executive Director
Citizens' Governmental Research
Bureau, Milwaukee

Donald Haldeman, President
Wisconsin Farm Bureau Federation, Norwalk

Senator Walter G. Hollander
Rosendale

James D. Horstmann, Senior Vice-President
H.C. Prange Company, Sheboygan

Joanne Jamison, Visiting Committee
University of Wisconsin-Green Bay

Representative Gary Johnson
Beloit

Mayor Judith F. Karofsky
Middleton

Tom King, Exectutive Director
Wisconsin State Employees Union
Madison

Marjorie Kinney, Douglas County Overall
Econ. Develop. Planning Committee, Superior

Senator Gerald D. Kleczka
Milwaukee

Russell Knetzger
Urban Planning Consultant, Shorewood

Mayor Dorothy Larson
Ladysmith

Harold Lochner, Mississippi River Regional
Planning Commission, Prairie du Chien

James A. McCann, Comptroller
City of Milwaukee

Glen W. McGrath, Executive Director
Public Expenditure Survey of Wisconsin
Madison

James R. Morgan, President
Wisconsin Taxpayers Alliance
Madison

Senator Kathryn Morrison
Platteville

Raymond Nass, President
Joerns Furniture Co., Stevens Point

Representative John Norquist
Milwaukee

Howard M. Packard, Retired Chairman
and President S.C. Johnson and Son,
Inc., Racine

Dan Satran, Sr.[5]
Eagle River

Representative Earl Schmidt[3]
Shawano

Milton E. Schneider, President
General Distributing Corporation
Wisconsin Rapids

Representative Kenneth Schricker
President, Wisconsin Towns Assoc.
Spooner

Felicity Skidmore, University of Wisconsin
Institute for Research on Poverty, Madison

Mayor Paul R. Soglin
Madison

Donald Sykes, Executive Director
Community Relations - Social Development
Commission, Milwaukee

Mary Louise Symon, Chairperson
Dane County Board of Supervisors
Madison

Kermit Valleen
St. Crox Falls

Isidro J. Villa, Principal
Kosiuszko Jr. High School, Waukesha

Toni Wile
Mental Health Association of Wisconsin
Eau Claire

Terry Willkom, Administrator
Division of Vocational Rehabilitation
Madison

Commission Staff

E. David Larsen, Executive Director
Robin Bauer
Charles Brotz
James Hill
Lou Turner Zellner
Barbara Loftus
Mark McDermid
Julie Peterson

[1] Resigned August, 1976
[2] Died June 14, 1976
[3] Appointed September, 1976
[4] Appointed December, 1975
[5] Resigned January, 1976

The commission held 15 monthly meetings, commencing October 22, 1976. In addition, the commission held public hearings at eight sites throughout the state and later held a series of three regional meetings. The commission was divided into three components:

- the function of local government
- the structure of local government performing those functions
- the financing of units of local government

Areas studied by the commission included:

Elementary and secondary education
Vocational, technical and adult education
Health and social services
Transportation
General purpose local government
Local special purpose districts
Local growth and development
State and local government revenue sources
Property tax relief and state shared revenue policies
Property tax policies
State and local communications: a need for improvement

One of the elementary and secondary education chapter sections dealt with the general school aid formula. The report of the Wallace Commission on this section is discussed in the following.

THE GENERAL STATE AID FORMULA

The commission, when considering school districts fiscal affairs, addressed two major policy questions. The first question was whether the full equalization of the property tax base (taxable wealth) was a sound concept, or would equalization be more equitably and/or efficiently accomplished through some other mechanism. The answer to that policy question focused on the correctness and appropriateness of the entirety of the general aid formula, given existing conditions. The second question hinged, to some extent, on the answers developed in response to the first question. The second policy question was whether there should be a more comprehensive consideration of educational needs than existed in the current state aid formulas. The answer to that policy question focused upon the commission's fundamental perceptions of what constituted general financial need at the local level as well as what the commission believed to be the appropriate relationship between general programs (general needs) and categorical programs (more specialized needs). When considered together, the recommendations responding to both policy questions should have resulted in a more concise approach to both state-level relationships and local ability to deliver and finance educational services.

In response to the first policy question, the commission accepted the principle that the general school aid formula should fully equalize the property tax base of school districts. It also accepted the idea that it would only confuse the purpose of the general school aid formula if attempts were made through that formula to equalize the ability of individual taxpayers to meet property tax liabilities.

Included within the consideration of equalization of property tax bases was a review of the efforts of the 1949 study committee which developed the basis for the existing formula; the improvements that resulted from the Tarr Task Force; and the changes that occurred from the Doyle Task Force studies. More importantly, the commission believed that the property tax burden used to finance education was felt statewide and should, therefore, have been recognized and equalized on a statewide basis.

The commission recognized that the property tax was probably not the most equitable source of revenue which could be used to finance elementary and secondary education. A desirable goal in educational finance as well as in improving state-local relations, was to develop sound, equitable methods for reducing reliance on the property tax to finance education. The commission felt the state should not overturn the emphasis on local control over educational programs which existed in the current general aid formula and which was consistently advanced as an essential element of state-local relations.

As with any shift in sources of revenues, there were some practical limitations in shifting educational finance from the property tax to some other source of revenue, (for example, by increasing the dollar requirement from state general purpose revenues). The commission believed that the state should adopt and maintain a financial commitment to elementary and secondary education which not only equalized property tax bases to the fullest possible extent but also reduced and controlled reliance on the property tax.

The commission believed that property tax administration should be changed in a manner which assured individuals of both ease of understanding and equity of treatment. To the extent that a greater degree of comparability among tax statements could be established, citizens would be better equiped to challenge existing inequities. To the extent that greater accuracy of assessment was accomplished at the local level, greater accuracy in the distribution of state aids and greater equity in the apportionment of taxes would be achieved.

The second policy question was more basic and related not only to general school aids but also categorical school aids. In general terms, determination of need had traditionally come from the local school district. That is, depending upon the school district's perception of community desires, student needs, and so forth, programs were developed and administered on the local level. The state's financial relationship traditionally had been to provide a general level of assistance and allow educational need to be determined at the local level and programs developed accordingly. In those instances where statewide educational priorities were identified or particular needs existed within school districts, to varying degrees categorical aids were usually used. Need items usually included different general educational costs, differing per student costs, declining enrollments, and (in general) categorical aid programs. During the commission's public hearings, educational need was identified both on a specialized program basis and on the basis of financial need to provide a basic educational program. Suggested alternatives to meet those needs varied from simply increasing the level of state assistance to altering the approach of state general school aids by providing for pupil weighting in the state's general aid formula. In this, as in other policy areas, there was a general desire to identify, on both the state and local level, the costs associated with particular programs and to have those costs become an integral part of a shared state-local responsibility. As a practical matter, actual program costs data may not have been immediately available; but this did not preclude initiating financial reporting mechanisms which would be capable of determining varying degrees of financial need. It was noted that as educational need was included in the general aid formula and aid appropriations remained the same, shifts in the aid distribution would occur. As educational need was included in the formula and higher aid appropriations were made, aids would be somewhat targeted to specific districts.

To resolve the second policy question, the commission suggested several areas where changes could be made to recognize educational needs, and they specifically identified those areas requiring an increased appropriation as well as those areas requiring only a change in the general aid formula. The commission believed that when an impact of the aid change would not be equal, compensation by increasing the aid appropriation was the most desirable course.

The commission recognized that a basic level of educational opportunity was assured not only through minimum program levels but also through the availability of facilities in which those programs were provided. The commission believed that if the state was to participate fairly in the equalization process, then the state should recognize all costs associated with providing an educational program, including the entirety of capital outlay and debt service costs. It saw this change making the state a full partner in the recognition of and financial participation in the cost of providing all aspects of education. Full recognition of capital outlay and debt service costs assisted in meeting the educational need, expressed in the 13 minimum educational standards for space and facilities to meet the program requirements embodied in the remaining 13 minimum educational standards. It foresaw objections to this change being made because full recognition of capital outlay and debt service might be viewed as a portent of state approval of facilities or as an encouragement for more facility development. Summarily, while they might be legitimate concerns, the predominant concern should have been the state's commitment to equalization as well as a concern for those districts that had basic facility needs and were unable to provide adequate facilities because those costs were not aided.

Another area of concern was the ability of the general school aid formula to recognize specific educational needs as opposed to simply recognizing fiscal capacity in terms of total educational expenditure. The commission believed there was a need to justify a cost relationship within a school district's budget, not only to deal with the problems resulting from total cost comparisons but also to more specifically identify and meet pupil needs. This capability did not currently exist. It did recognize, however, that there might be some educational needs that should be addressed through the general aid formula.

COMMISSION RECOMMENDATIONS

The commission, therefore, makes the following recommendations regarding educational financing and school district fiscal affairs:

1. The Commission recommends that the present full equalization concept in the general school aid formula is to be retained.*

*Minority statement submitted by Commissioner Herbert J. Grover.

2. The commission recommends that the state establish the goal of providing general school aids in an amount sufficient to finance 50 percent of the shared elementary and secondary education costs.

3. The commission recommends that the primary shared cost ceiling should be increased from 110 to 115 percent of the prior year's statewide average shared cost per pupil.

4. Recognizing that provision of a standard educational program is related to the availability of school facilities, the commission recommends that the state eliminate the $100 per member shared cost limitations for annual capital outlay and debt service.

5. Recognizing that school districts may experience higher total costs resulting from the number of students enrolled in high-cost programs (vocational programs, special education programs) or the number of high-cost students (secondary students, AFDC students), the commission recommends that the state should begin efforts to determine differences in cost per pupil for the purpose of distributing state aids on a weighted membership basis in future years.

6. Recognizing that school district costs do not increase or decrease in direct proportion to enrollment trends for purposes of general school aids, the commission recommends that school districts use a two-year average enrollment for state aid purposes.

7. To recognize the goal of equalization used in the school aid formula, the commission recommends changing the present cost control formula to one which uses a fixed percentage of each school district's prior year's shared cost but allows a higher percentage increase for low-cost per pupil districts. If a district does not budget in any year the full amount allowed under the cost control, the school district should be permitted to add the difference to its allowable budget for the next succeeding year, providing the total amount does not exceed a specified percentage (115 percent for example) of the school district's cost per pupil for the previous year.

The Wallace Commission recommended retaining the full equalization concept in the general state aid formula established by the governor and legislature which utilized a standard property tax base for all school districts. This recommendation was made in December 1976, even though the Wisconsin State Supreme Court ruling was made prior to this date.

The recommendation to provide general school aids at 50 percent was slightly higher than the 40 percent recommended by most previous commissions.

The recommendation to eliminate the $100/member shared cost limitation for capital outlay and debt service was one that had not been embraced by the legislature but should eventually be considered.

The 1949 commission suggested that elementary and secondary school districts be funded with one state aid formula. The recommendation of the commission to recognize differences in cost/pupil for the purpose of distributing state aids on a weighted membership could have resulted in the elimination of categorical aid as well as attempting to equalize educational opportunity for students through one state aid formula.

Herbert J. Grover, superintendent of Niagara School District and a member of the Wallace Commission, filed the following minority statement regarding financing of elementary and secondary education.

MINORITY REPORT ON THE FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

During Commission discussions, my belief in full equalization was well known. My belief in full equalization combined with the recent Supreme Court decision was my primary reason for proposing a 2.5 mill statewide property tax. The Commission has made two highly positive recommendations for state general school aids. First, the Commission has endorsed the concept of full equalization. Second, the Commission has recommended raising the level of state general school aids from 40 to 50 percent. At the time these decisions were made, I could foresee, in the first instance, actual implementation of full equalization. In the second instance, I agreed with the gradual shift to greater state support and the use of more progressive revenue sources as one means of accomplishing full equalization.

The recent Wisconsin Supreme Court case (Buse, et al. versus Smith, et al) has, however, changed the relationship between the general aid formula and the level of funding. Unfortunately, the Court has overruled that portion of the formula which directly addresses existing inequities in property tax bases. The net impact of the decision is that if equalization is to occur it must occur directly through the formula. The Court's decision will, in the short run, perpetuate existing fiscal disparities and, in the long run, make fiscal disparities more difficult to resolve. Through the use of a statewide property tax, the goal of full equalization is immediately possible within the constraints established by the Court.

The Commission has expressed a belief that school districts which spend at the same level should tax at the same rate. The general aid formula is intended to eliminate the influence on school funding of the ability to pay taxes and instead rely upon willingness to pay taxes as the sole determinant of school spending. Whether the district is Goodman, Green Bay, Siren or Madison, the general aid formula provides a standard tax base to support a locally determined educational program. My practical experience indicates that there is not a dollar for dollar relationship between increased expenditures and educational quality. On the other hand, the state cannot ignore the differences in educational programs and property tax burden between property-poor districts (such as Goodman) and property-rich districts (such as Glendale-Nicolet). Under the present level of funding for general school aids, and given the Supreme Court's decision, the state cannot accomplish property tax base equalization and the positive effects on property tax burden and educational programs which accompany full equalization.

A statewide property tax of 2.5 mills, combined with the other changes suggested by the Commission, is capable of accomplishing the goal of full equalization. Under the suggested changes, the primary guaranteed valuation would increase from $102,700 to $129,800 in 1976-77. All but six school districts would be fully equalized and even those six remaining districts are very close to equalization. The Commission has recognized the fiscal disparities which do exist and, when comparing the extremes, the Commission certainly had not ignored the educational and property tax inequities between districts. The Commission has spoken to greater equalization by increasing the aid level but has failed to recognize the existing educational inequities which are perpetuated unless the financing mechanism is available to move towards full equalization. I believe the Commission should have been willing to go the necessary one step further by recommending the most effective available mechanism for accomplishing full equalization (within the constraints recently established by the Wisconsin Supreme Court): a 2.5 mill statewide property tax.

Herbert J. Grover

1976-77

Factors involved with the general state aid formula:

Statistics Used for all Districts

1975 equalized valuation

3rd Friday in September, 1976 membership plus 1976 summer school adm (based on 1,080 periods), membership includes preschool pupils for regular year summer school

1976-77 budgets

1976-77 levy divided by 1976 equalized valuation = actual levy rate

Guaranteed Valuation (in dollars)

		Secondary	
	Primary	Estimated	Actual
K-12	102,700	63,800	64,100
K-8	122,200	75,900	76,200
UHS	288,100	179,000	179,800

Primary Cost Ceiling

	Estimated	Actual
All Districts	1,545	1,549.75

Cost Controls at 9.5 percent
appeals, referenda, or budget cuts
required for costs over 9.5 percent

Sharable nonoperating costs was limited to $100 per pupil
No negative primary aid
Excess cost was computed from annual report deducted in aid computation

The Wisconsin Supreme Court declared section 121.08(3) of the statutes, which required school districts to make negative aid payments to the state, was unconstitutional as it violated the uniform taxation clause of the Wisconsin constitution.

Transitional aid 60 percent of the difference between 1972-73 and 1976-77 aid if 1972-73 state aid (including teacher retirement and social security) was greater.

Special transitional aid was paid to school districts receiving transitional aid who were affected by a loss of taxable property owing to the M & E exemption at 60 percent of the 1974-75 base. Districts must receive transitional aid for both 1974-75 and 1975-76 to be eligible for this aid which was a payment in addition to the general aid from a separate appropriation.

A school lunch payment to meet federal matching requirement was paid from this appropriation. The payment was deducted from the general aid due districts. In addition, districts not eligible to receive general aid were paid the amount calculated to meet the matching lunch requirement.

First year for the payment of integrated aids

Intradistrict, interdistrict, and transportation (Chapter 220) payments were made from a separate appropriation.

Statistical Data

Number of school districts.

Integrated UHS district	11
Integrated 8 grade district	53
Integrated K-12 or 1-12 grade district	372
Total	436

Enrollments in public schools.

Enrollment in Public Schools	945,337
Resident Membership	907,730
Summer School Membership	5,745
Total	913,475

State Aid Payments.

Primary Aid	$ 508,352,514.36
Secondary Aid	-7,287,655.17
Total Equalization Aid	501,064,859.19
Transitional Aid	5,612,515.82
Summer School Aid	1,388.00
Total	$ 506,678,763.01

Operating Costs	$1,418,168,551.13
1976 Equalized Valuation	$58,580,374,000.00

1977 LEGISLATIVE SESSION

The Education Committee of the Legislative Council for the 1977 legislative session included the following membership:

Officers

Senator Bruce Peloquin, Cochairperson
Chippewa Falls

Representative Michael Ferrall, Cochairperson
Madison

Senators

Kathryn Morrison
Platteville

Thomas E. Petri
Fond du Lac

Carl W. Thompson
Madison

Representatives

Delmar E. DeLong
Clinton

Joanne M. Duren
Cazenovia

Richard A. Flintrop
Oshkosh

Patricia A. Goodrich
Berlin

George H. Klicka
Wauwatosa

Ronald H. Lingren
Menomonee Falls

Midge Miller
Madison

Paul Offner
LaCrosse

John R. Plewa
Madison

Calvin Potter
Kohler

William J. Rogers
Madison

Susan Shannon Engeleiter
Brookfield

Public Members

Marvin Brickson
Madison

Warren Carrier
Platteville

Helen Casper
Wisconsin Rapids

Robert Cramer
Waukesha

John N. Kramer
Fennimore

Elizabeth Wright
Madison

The committee conducted no intensive examination of the school aid formula.

Budget Act for 1977-79 Biennium (Chapter 29, Laws of 1977), Published July 9, 1977

Assessment Date of Real and Personal Property Changed

Section 70.10 amended to cause the assessor to assess all real and personal property as of January 1 of each year rather than May 1. The assessment must be completed before the first Monday in April rather than July.

State Aid Budget Calculation Amended

115.28(11) State Aid Budget Calculation. In preparing the biennial budget request of the Department of Public Instruction, calculate an amount to be distributed as state aid which represents an appropriate percentage of estimated statewide school districts costs after estimated federal aids and local receipts, other than property taxes, have been deducted.

This action changed the calculation from an appropriate mill rate to an appropriate percentage of cost.

State Matching Obligations Under School Lunch Act Amended to be Categorical Payment

Section 115.34(2) of the statutes was amended to cause the state's matching obligation to be paid from a separate appropriation rather than from the general aid appropriation.

School District Audit Requirement Modified

Section 120.14(1) of the statutes was amended to require the audit to include an audit of the number of pupils reported for membership purposes under s. 121.004(8).

Membership Count for EEN Children in Jt. District/CHCEB Programs

S. 121.004(5)(e) of the statutes provided that a pupil enrolled concurrently in the school district and in a special education program operated by a county handicapped children's education board in facilities of the school district shall be counted as ½ pupil except a pupil under this paragraph enrolled only in a special program operated by a county handicapped children's education board or a pupil enrolled for less than 20% of his or her time in a resource room operated by a county handicapped children's board shall be counted as one pupil.

Section 1617(3) (session portion of Chapter 29), reads as follows:

For the 1977-78 school year only, the children referred to in s. 121.004(5)(e) may be counted as three-fourths rather than one-half for purposes of computing state aids. Three-five-year-old handicapped children enrolled in joint district/CHCEB programs will be counted as .375 (3/4 of 1/2) for aid computation purposes.

S. 121.05(1)(a) of the statutes was amended to read:

> 121.04(1)(a) The number of pupils enrolled on the third Friday in September of the *current year, including:*
>
> 1. pupils enrolled concurrently in the school district and a special education program operated by a county handicapped children's education board and the school district.
>
> 2. pupils enrolled in home instruction or any other school district special education program under 115.83.
>
> 3. pupils who are residents of one school district who are enrolled in special education programs in another school district and for whom tuition is paid under sec. 115.87(5).

Personal Property Taken Off Tax Roll

S. 121.06(1) of the Wisconsin statutes was amended to provide that the valuation certified by the Department shall include the adjustments for merchants' stock-in-trade, manufacturers' materials and finished products and livestock under s. 70.57(5).

> S. 70.57(5) For the years 1977 to 1980, the value of merchants' stock in trade, manufacturers' materials and finished products and livestock included in the value determined under this section shall be the following percentages of the full value that would otherwise have been certified.
>
> a. In 1977, 90%
> b. In 1978, 70%
> c. In 1979, 50%
> d. In 1980, 30%

Shared Cost Redefined

> S. 121.07(6) as repealed and recreated defines "shared cost" as the sum of the school district general fund, operational cost and the annual capital outlay, minus the operational receipts, plus principal and interest payments on long-term indebtedness for the current school year.
>
> The sum of principal and interest payments on long-term indebtedness included in shared cost may not exceed $90 per member.
>
> **This amendment of shared cost added all of the capital outlay to the general fund operational cost. The transfer of capital outlay prompted the limit on principal and interest payments on long-term indebtedness to be reduced from $100/member to $90/member.**

Guaranteed Valuation/Member

121.07(7) is repealed and recreated

> (a) The "primary guaranteed valuation per member" shall be $116,800 in the 1977-78 school year and $130,500 thereafter.
>
> (b) the "secondary guaranteed valuation per member" shall be an amount rounded to the nearest $100 determined by dividing the equalized valuation of the state by the state total membership.
>
> (c) For districts operatinga only high school grades, the amounts in paragraph (a) and (b) shall be multiplied by 3 and rounded to the nearest $100.
>
> (d) For districts operating only elementary grades, the amounts in paragraph (a) and (b) shall be multiplied by 1.5 and rounded to the nearest $100.
>
> The primary guarantee for only high school grades was $350,400 in 1977-78 and $491,500 for 1978-79. The primary guarantee for elementary grades was $175,200 in 1977-78 and $245,750 in 1978-79.

Payment of State Aids--Reductions

Section 121.08 "State aids; Payment by certain districts" was repealed and recreated as "Payment of state aids; Reduction:"

Section 121.08(3) of the statutes was repealed and recreated as follows:

> 121.08(2) The aid computed under sub. (1) shall be reduced by the amount by which the school district equalized valuation exceeds the secondary guaranteed valuation, multiplied by the secondary required levy rate. In no case may the aid under this section be less than zero.

Repealed Sections

> Sections 121.08(3), (4) and Section 121.09 of the statutes were all repealed.

These were respectively, "Negative Aid Payments to the State," "Transitional Aid Payment," and "Special Transitional Aid Payments. The latter payment was made to compensate for the loss of personal property.

Special Adjustment Aids

Section 121.10 of the statutes was created as follows:

> 121.10 Special Adjustment Aids. (1) If a school district would receive less general aid under s. 121.08 for the current school year than it received in state aid in the previous year, its general aid for

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the current school year shall be increased by an amount equal to 50 % of the difference between state aid received in the previous school year and the amount computed under s. 121.08 for the current school year.

(2) To be eligible to receive aid under sub. (1), a school district shall meet the following criteria:

(a) Its percentage increase in equalized valuation per member for the current school year from that of the previous school year must be greater than the average percentage increase in equalized valuation per member for the current school year from that of the previous school year for districts of like organization.

(b) Its equalized valuation must be less than the primary guaranteed valuation for districts of like organization, and

(c) Its secondary shared cost, if any, must be less than 20% of its primary shared cost.

(3) For purposes of this section, "state aid" means the sum of the amounts received as general aid under 121.08, aids paid under section 1617 of Chapter 29, Laws of 1977, and aids paid under sub. (1).

(4) If the appropriation under Section 20.255(1)(fs) in any year is insufficient to fund the full amount otherwise payable under this section, special adjustment aid payments shall be prorated among the districts entitled thereto.

Flat Aid for Nonresident Summer School Repealed

S.121.14(2) of the statutes was repealed and recreated to read:

(a) State aid for summer classes shall be incorporated into the state aid paid for regular classes under this sub-chapter.

(b) Annually on or before October 1, the school district clerk or chairperson of the county handicapped children's education boards shall file with the Department a report stating the summer average daily membership equivalent. (The flat aid of $70 for elementary non-resident pupils and the $88 for high school non-resident pupils had been repealed.)

No Aid on Expenditures Above Cost Control Maximum

S. 121.155 General aid; Cost controls: General aid under this subchapter shall not be paid on expenditures which exceed the maximum controllable costs.

Chapter 418, Laws of 1977, was published June 26, 1978.

Section 121.004(5)(e) of the statutes, as created by Chapter 29, Laws of 1977, is repealed, effective in 1978-79. The effect of this repeal is that the students will be counted as full students.

> Section 121.004(8) of the statutes, as created by Chapter 29, Laws of 1977, is repealed and recreated to read:
>
> (a) "Membership" is the sum of the current membership and the declining enrollment increment, if any.
>
> (b) Current membership for any school district is the sum of pupils enrolled as reported under s. 121.05 and the summer average daily membership equivalent for classes approved under s. 121.14 (summer school). Only district resident pupils and pupils enrolled under s. 121.05(1)(a) 3 and 4 may be counted in computing current membership.
>
> (c) "Declining enrollment increment" for any school district is a number equal to the product of one-half times the difference between the current membership forthe prior school year, rounded to the nearest whole number. This paragraph applies only to a school district whose memebership for the current school year is less than 97.9% of its membership for the prior school year.

Section 121.07(7)(a) of the statutes as affected by Chapter 29 is amended to read:

> The "primary guaranteed valuation per member" shall be $116,800 in the 1977-78 school year and $137,100 thereafter.

This caused the UHS and K-8 guarantees to go to $411,300 and $205,700, respectively.

Section 121.085 created supplemental state aid.

> Supplemental state aid is created for qualifying school districts containing a TIF district to replace the tax increment reimbursement provision of s. 66.46(11)b, which was repealed.

Section 121.10(2)(c), as created by Chapter 29, Laws of 1977, was amended to read:

> Its secondary shared cost, if any, must be less than 20% of its primary shared cost, if its equalized valuation exceeds the secondary guaranteed valuation for school districts of like organization.
>
> **Now a district whose equalized valuation is lower than the secondary guarantee is exempt from this qualification.**

Tuition Agreements Between Adjacent Increasing/Decreasing Enrollment Districts

Section 121.78 was created to allow adjacent school districts to enter into an annual agreement to send pupils from a district with increasing enrollment to a district with decreasing enrollment, effective in 1978-79. "The district of residence shall pay tuition and count the children in membership, pursuant to section 121.05(1)(a)3." **This was the first occasion wherein a tuition student attending regular classes could be counted in the district of residence membership for payment of general aid. Special education tuition students and out-of-state tuition students had been counted in the district of residence membership for payment of general aid.**

This was another special interest case, wherein the Menomonee Falls school district had a severe loss of students and Germantown's enrollment was increasing. Bond issues for a building program failed in the Germantown school district, causing a crowded condition. Menomonee Falls needed students, and Germantown needed facilities. Even though this legislation passed, Germantown did not choose to send students to Menomonee Falls.

1977-78

Factors involved with the general state aid formula:

Statistics Used for Districts

1976 equalized valuation

3rd Friday in September, 1977 membership plus 1977 summer school adm
(Pupils enrolled in handicapped classes operated jointly by
county and districts were counted as 3/4 membership
for 1977-78 only)

1977-78 budgets

1977-78 levy divided by 1977 equalized valuation = actual levy rate

		Secondary	
	Primary	Estimated	Actual
K-12	116,800	73,200	74,100
K-8[1]	175,200	109,800	111,200
UHS[2]	350,400	219,600	222,300

[1] Increase of 1.5 x K-12 for elementary

[2] Increase of 3 x K-12 for UHS

Sharable nonoperating cost (principal and interest only) limited to $90/pupil.

No negative primary aid; no transitional or special transitional aid.

Excess cost (over 9.5 percent) deducted in aid computations using both budget and annual reports.

Special adjustment aids paid to school districts whose general aid entitlement for the current year was less than it received in the previous school year and meeting certain criteria.

First year for tax increment aid.

Primary Cost Ceiling

	Estimated	Actual
All Districts	1686	1669.42

Cost Controls at 9.5 percent

Appeals and adjustments approved by DPI, referenda, or budget cuts required for costs over 9.5 percent. Computed on budget and annual reports.

Statistical Data

Number of school districts.

Integrated UHS district	11
Integrated 8 grade district	53
Integrated K-12 or 1-12 grade district	372
Total	436

Enrollments in public schools.

Enrollment in Public Schools	917,863
Resident Membership	881,441
Summer School Membership	5,758
Total	887,199

State Aid Payments.

Primary Aid	$ 533,164,874.92
Secondary Aid	-4,218,448.32
Subtotal	528,946,426.60
Special Adjustment Aid	2,873,632.00
Total	$ 531,820,058.60

Operating Costs*	$1,556,931,079.37
1977 Equalized Valuation	$73,535,414,000.00

*Costs in excess of cost controls deducted

1978-79

Factors involved with the general state aid formula:

Statistics Used For All Districts

1977 equalized valuations (personal property at 90%)

Tax increment district (TID) valuation included for Green Bay Platteville, Milwaukee, and Hudson

3rd Friday in September, 1978 membership plus 1978 summer school adm. (First year for declining enrollment adjustment for districts with fewer students than prior year; One-half of the difference between current year membership and 97.9 of the prior year membership added to current membership)

Example:

1977-78 Membership: 1,000
1978-79 Membership: 950

x 97.9 % = 979 = 950 = 1,929 ÷ 2 = 965

1978-79 levy divided by 1978 equalized valuation (Oct.) = actual levy rate

Guaranteed Valuations (in dollars)

		Secondary	
	Primary	Estimated	Actual
K-12	137,100	84,200	84,900
K-8	205,700	126,300	127,400
UHS	411,300	252,600	254,700

Primary Cost Ceiling

	Estimated	Actual
All Districts	1,868	1,868.85

Cost Controls at 9.5 Percent.

Appeals and adjustments approved by DPI or referenda and budget cuts required for costs over 9.5 percent (computed on budget and annual reports).

No negative primary aid; sharable nonoperating cost (principal and interest only) limited to $90/pupil. Excess cost (over 9.5 percent) deducted in aid computations using both budget and annual reports.

Special adjustment aids paid to school districts whose equalization aid entitlement for the current year was less than it received in the previous school year if meeting certain criteria.

Supplemental aid (TIF) computed using aid formula substituting equalized valuation without TIF valuation. The difference between this aid and the equalized aid computed for the district equaled supplemental aid.

Statistical Data

Number of school districts.

Integrated UHS district	9
Integrated 8 grade district	42
Integrated K-12 or 1-12 grade district	374
Total	425

Enrollments in public schools.

Enrollment in Public Schools	886,419
Resident Membership	851,964
Summer School Membership	5,847
Subtotal	857,811
Declining Enrollment Membership	7,741
Total	865,552

State Aid Payments.

Primary Aid	$ 593,138,669.58
Secondary Aid	-3,085,938.06
Subtotal	$ 590,052,731.52
Special Adjustment Aid	407,448.00
Total	$ 590,460,179.52

Operating Costs*	$1,679,913,179.60
1978 Equalized Valuation	$84,174,196,306.00

*Costs in excess of cost controls deducted

1979 Legislative Session

The Legislative Council's Education Committee never scheduled a meeting or school aid formula adjustment; therefore, there was no discussion or recommendation made regarding the formula. The 1979 legislature repealed section 13.83(2), a directive that the Education Committee undertake a review of the formula.

Chapter 34, Laws of 1979

Declining Enrollment Increment Factor Changed

Section 121.000(8)(e) of the statutes was amended; Chapter 418, which created the declining enrollment section of the statutes, established 97.9 percent of the prior year's membership as the factor. Chapter 34 reduced it to 96.9 percent and the governor vetoed the .9 percent, setting the factor at 96 percent.

Alternate Date for Taking Membership Count

Section 121.05(3) of the statutes was created to read; "If a school district is unable to hold school on the third Friday in September, the state superintendent shall designate an alternative membership counting date and may designate an alternative reporting date."

Reimbursement for Excess Tax Base Loss

Section 121.11(1)(a) of the statutes was created to provide for the state to reimburse school districts that received no general state aid and experienced a personal property valuation reduction in excess of 5.4 percent of total valuation to be reimbursed for the tax revenue loss in the excess tax base loss. This reimbursement was computed by the Department of Public Instruction, and nine school districts received it.

Payment of General State Aid in 1980-81

Section 121.15(1) of the statutes was repealed and recreated so that general state aids would be paid according to a schedule rather than on the basis of need.

Schedule for Payment.

(a) Each school district shall receive 10 percent of its total aid entitlement in each month from August to February and 30 percent of its total aid entitlement in June.

(b) For the payments made from August to October, the total aid entitlement for each district shall be estimated based upon the total aid payment in the previous year.

(c) For the payments from November to June, the total aid entitlement for each district shall be computed on the basis of the budget and membership report under s. 121.05.

(d) Any aid adjustment for the previous year required under s. 121.07(1)(d) shall be made by increasing or decreasing the payment made in June.

(2) No state aid payments may be made to any district until the annual report under s. 120.18 has been filed with the department.

(3) No state aid payments may be made to any district in the months of November to June until the budget and membership report under s. 121.05 is field with the department.

Intradistrict Special Transfer Aid

Section 121.85(6)(a)2 of the statutes was amended to increase each transfer pupil from 0.2 to .325 in membership for computing general state aid in lieu of receiving reimbursement aid for costs incurred to transport transfer pupils.

Section 121.85(7) of the statutes was amended to delete the state aid payment for full costs incurred for transporting transfer students.

The Budget Review Bill (Chapter 221, Laws of 1979)

Section 11.M. 13.83(2) of the statutes was repealed, and 13.83(a) "The Education Committee: Aids Adjustment" was established. This committee studied the general aid formula and made a recommendation on the primary guarantee in the formula.

Declining Enrollment Increment Increased

Section 121.004(8)(c) of the statutes as affected by Chapter 34, Laws of 1979, was amended by increasing the declining enrollment increment from 96 percent to 96.9 percent as of July 1, 1980.

Primary Guaranteed Valuation

Section 121.07(7)(a) amended the 1980-81 primary guaranteed valuation of $190,500 by Chapter 34 to read $195,900.

State Aid for Tuition Students (Chapter 244, Laws of 1979)

121.78(1) of the statutes was amended to read:

> (1) Upon the approval of the state superintendent, the school board of the district of residence and the school board of the district of attendance may make a written agreement to permit an elementary or high school pupil to attend a public school, including an out-of-state school, outside the school district of residence, and the school district of residence shall pay the tuition. (The school district of residence shall be paid state aid as though the pupil were enrolled in the school district of residence.)
>
> This act takes effect July 1, 1980, applicable for school year 1980-81 and thereafter.

Reaction to Chapter 244

School districts were created by the Wisconsin legislature to provide educational opportunities for students in the elementary and secondary schools of Wisconsin. The 1949 legislature created county school committees to encourage districts to restructure in to districts that had an adequate tax base and sufficient enrollments to provide enriched programs at a reasonable cost. In the next decade 44,000 students were served annually on a tuition basis because many districts were ill-equipped to provide adequate services in their districts of residence.

In 1959, legislation was passed requiring all areas in the state to join a high school district by July 1, 1962; this reduced the 25,604 nonresident high school students in 1961-62 to 6,650 in 1962-63. In 1972-73, the number of nonresident high school students was reduced to 585.

The general aid formula limited student attendance and membership to resident students from its inception in 1949 and paid only flat aid for nonresident students until 1973, when flat aid was eliminated. School districts who were unable to provide services to some of their students because of geographic barriers were encouraged to transfer the territory to districts that could provide the service, thus making the students eligible for general state aid.

The legislature resisted proposals until the 1979 session that called for districts of residence to count students in the general aid formula who were being served in another district under a tuition agreement. Chapter 244, Laws of 1979, amended section 121.78(1) of the Wisconsin statutes, allowing a school district of residence to receive state aid as though the students were enrolled in the district of residence. This was a departure from the policy established by the legislature and all of the committees who had studied the general aid formula beginning in 1947.

The Hurley school district was unable to serve students in southern Iron County (near Mercer), so they contracted with the Mercer district on a tuition contract. The Ashland school district was unable to serve the students on Madeline Island and chose to have the Bayfield school district serve the students on a tuition contract. These two districts were successful in obtaining legislation in the first year of the 1979-81 session that included nonresident students in the general aid formula. This legislation does not encourage districts to restructure themselves so that all students in the state could be served by a district of residence; it was another example of special interest groups receiving special treatment. Being allowed to count nonresident students and to increase the use of tuition contract agreements have perpetuated inefficient district structure in opposition to the efforts of all of the study committees and legislatures since 1949.

1979-80

Factors involved with the general state aid formula

Statistics Used for All Districts

1978 equalized valuation -- personal property at 70 percent
tax increment district valuation included for 14 TID districts

3rd Friday in September 1979 membership plus 1977 summer school adm
Declining enrollment adjustment--one-half the difference between current year membership and 96 percent of the prior year membership added to current membership

1979-80 budget

1979-80 levy by 1979 equalized valuation (October) = actual levy rate
Valuation without TID used for all districts

Guaranteed Valuation (in dollars)

	Primary	Secondary Estimated	Secondary Actual
K-12	166,000	100,400	100,900
K-8	249,000	150,600	151,400
UHS	498,000	310,200	320,700

Primary Cost Ceiling

Estimated	Actual
2,041.00	2,028.73

(for all districts)

Cost Controls at 9.5 percent

Appeals and adjustments approved by DPI or referenda and budget cuts required for cost over 9.5 percent

No negative primary aid

Sharable nonoperating costs (principal interest only) limited to $90/pupil

Excess cost (over 9.5 percent) deducted in aid computation using both budget and annual report

Special adjustment aid entitlement for the current year is less than was received in the previous school year and meeting certain criteria (one-half difference in aids)

Supplemental aid (TID) computed using equalization aid formula substituting equalized valuation without TID valuation; difference between the aid and the equalization aid computed for the district equals the supplemental aid.

Statistical Data

Number of school districts.

Integrated UHS district	10
Integrated 8 grade district	50
Integrated K-12 or 1-12 grade district*	373
Total	433

*This was greater in 1979-80 because the Hartland School District was a K-12 district during 1978-79 and reverted back to a UHS with eight elementary districts in 1979-80.

Enrollments in public schools.

Enrollment in Public Schools	544,919
Resident Membership	823,103
Summer School Membership	6,109
Subtotal	829,212
Declining Enrollment Membership	5,134
Total	834,346

State Aid Payments.

Primary Aid	$ 651,606,724.48
Secondary Aid	-1,459,151.66
Subtotal	$ 590,052,731.52
Special Adjustment Aid	1,518,345.00
Total	$ 651,665,917.62

Operating Costs*	$1,810,593,109.52
1978 Equalized Valuation	$96,616,976,454.00

*Costs in excess of cost controls deducted

1980-81

Factors involved with the general state aid formula:

Statistics Used for All Districts

1979 equalized valuations.
Personal property at 50 percent (TID valuation included for 25 TID districts)
3rd Friday in September 1980 membership plus 1980 summer school adm
Declining enrollment adjustment--one-half of the difference between curret year membership and 96.9 percent of the prior year membership added to current membership

1980-81 budget

1980-81 levy divided by 1980 equalized valuation (October) = actual levy rate

(Valuation without TID used for all districts)

Guaranteed Valuation
(in dollars)

	Primary	Secondary	
		Estimated	Actual
K-12	195,900	119,600	119,700
K-8	293,900	179,400	179,600
UHS	587,700	358,800	359,100

Primary Cost Ceiling

	Estimated	Actual
All Districts	2,245.00	2,253.02

Cost Controls at 10.5 percent

No negative primary aid

Sharable nonoperating costs (principal interest) limited to $90/pupil

Excess cost (over 10.5 percent) deducted in aid computation using both budget and annual report

Each aid computation reduced by 3 percent by Chapter I, Laws of 1981

Special adjustment aids paid to districts whose equalization aid entitlement for the current year was less than it received in the previous school year and meeting certain criteria (one-half difference in aids)

Supplemental aid (TID) computed using equalization aid formula substituting equalized valuation without TID valuating. Difference between this aid and the equalization aid computed for the district equaled the supplemental aid (aid computation reduced by 3 percent also)

Statistical Data

Number of school districts.

Integrated UHS district	10
Integrated 8 grade district	50
Integrated K-12 or 1-12 grade district	373
Total	433

Enrollments in public schools.

Enrollment in Public Schools	830,247
Resident Membership	796,552
Summer School Membership	6,416
Subtotal	802,968
Declining Enrollment Membership	5,515
Total	808,483

State Aid Payments in 1980-81*.

Equalization Aid Payments

Primary Aid	$ 695,868,693.69
Secondary Aid	467,855.94
Subtotal	$ 696,336,549.63
Special Adjustment Aid	4,866,138.00
Total	$ 701,202,687.63

*reduced by 3 percent

Actual State Aid Payments with 3% Reduction

Primary Aid	$ 674,992,632.89
Secondary Aid	453,820.26
Subtotal	$ 675,446,453.15
Special Adjustment Aid	4,720,154.00
Total	$ 680,166,607.15
Total Costs	$1,970,908,054.79
1979 Equalized Valuation	$108,528,974,847.00

1981 LEGISLATIVE SESSION

The repeal of section 13.83(2) of the statutes eliminated the directive to the Legislative Council to review the general aid formula. Elimination of the Biennial Aids Adjustment Committee and action repealing 13.83(2) left the legislature to review the Department of Public Instruction (DPI) budget request for general aid and rely heavily on the legislative fiscal bureau staff for direction.

Chapter I, Laws of 1981

Section 39, Laws of 1981, provided for a 3 percent reduction of state aids paid in 1980-81. This included the following state aids programs:

121.08	General state aids
121.085	Supplemental state aids
121.10	Supplemental adjustment aids
121.11	Excess tax base loss
121.85	Special transfer aids

All of these payments were related to the general aid formula.

Section 39 directed the DPI to notify each school board receiving aids under specified sections of the statutes of the difference between their aids amounts for fiscal year 1980-81 (as of June 30, 1981) and 98.55 percent of these amounts. The difference represented the additional aids payment receivable owing to the enactment of a 3 percent rather than a 4.4 percent reduction of state aids payments for fiscal year 1980-81.

Biennial Budget Act for 1983 (Chapter 20, Laws of 1981)

Section 121.004(2) and (3) of the statutes were created to read:

> (2) Gross cost. The "gross cost" of a fund means the sum of all nonduplicative expenditures from that fund.
>
> (3) Net Cost. The "net cost" of a fund means the gross cost of that fund minus the offsetting receipts to that fund. In this subsection, "offsetting receipts" means all nonduplicative receipts except taxes and state general aid, and includes federal financial assistance under 20 USC 236 to 245 to the extent permitted under federal law and regulations.

The new definition of net cost, which included federal financial assistance under 20 USC 236 to 245, referred to federal payments under Public Law 874 and caused these payments to be considered deductible receipts in the general aid formula. Public Law 874 provided financial assistance for the maintenance and operation of schools in local education agencies financially affected by activities of the federal government. The nontaxable status of federal properties caused PL 874 funds to be considered payments in lieu of taxes, prior to this action.

> 121.004(8)(a) Membership including declining increment repealed.
>
> 121.004(8)(b) amended and renumbered as 121.004(8). "Membership" for any school district is the sum of pupils enrolled as reported under s. 121.05 and the summer average daily membership equivalent for classes approved under 121.14.
>
> 121.004(8)(c) Declining enrollment increment repealed effective for the 1981-82 school year.
>
> Section 121.05(1) and (a) repealed and recreated to read:
>
> 121.05(1) The school district clerk shall included as part of the annual school district report under 121.18
>
> (a) the average of the number of pupils enrolled on the 3rd Friday in September and the 2nd Friday in January of the previous school year, including
>
> (b) the number of teachers employed in the school district on the 3rd Friday in September of the previous school year.
>
> 121.05(2) repealeed--Continuous basis school year.

Section 121.06(1)

Adjustment for merchants stock in trade, manufacturing materials, etc., eliminated from taxable property valuations of school districts.

Section 121.07(1) amended to read:

The membership and teacher-pupil ratio of the school district in the previous school year as reported under 121.05 and the shared cost for the previous school year shall be used in computing general aid. In computing general aid, the teacher pupil ratio shall not exceed 25.

Section 121.07(6)(a) and (b) amended to read:

(a) "Shared cost" is the sum of the net cost of the general fund and the net cost of the debt service fund. The net cost of the debt service fund included in shared cost may not exceed an amount equal to $90 multiplied by the membership.

(b) The "primary ceiling cost per member" is 110% of the state shared cost divided by the membership for the previous school year, as determined by the state superintendent except as provided in s. 121.23 (labor disputes).

Section 121.07(7)(b)

The "primary guaranteed valuation per member" shall be $231,000 in the 1981-82 school year and $271,100 thereafter.

Section 121.085(1) Intro amended (Tax Incremental Aid)

Except as provided under sub. (1m) the state shall pay to each school district the amount determined by subracting the amount determined under par. (b) from the amount determined under par. (a).

Section 121.085(1m) is created to read:

No aid under this section may be paid to any school district unless a city or village located within the school district verifies to the Department of Revenue that it has committed and expended financial resources specifically to development of a tax incremental district before July 1, 1981.

Section 121.11(1)(e) of the statutes is created to read
(Excess tax base loss reimbursement)

In order to compute the amount to be paid under this subsection in the 1982-83 and 1983-84 school years, the department shall calculate 66.66% of the aid paid in 1981-82 for payment in 1982-83 and 33.33% of the aid paid in 1981-82 for payment in 1983-84.

Chapter 93, Laws of 1981

Section 121.10(1) of the statutes amended to read
(Special Adjustment Aids)

If a school district would receive less than 91% of the general aid under s.121.08 for the current year than it received as state aid in the previous school year, its general aid for the current year shall be increased to an amount equal to 91% of the state aid received in the previous school year.

121.10(2) of the statutes repealed.

121.10(3) and (4) of the statutes amended as read.

121.10(3) For the purpose of this section, "state aid" means the sum of the amount received as general aid under 121.08 and aids paid under sub. (1).

121.10(4) If the appropriation under 20.255(1)(fs) in any one school year is insufficient to fund the full amount otherwise payable under this section, special adjustment aid payments shall be prorated among the districts entitled thereto. No aid may be paid under this section after the 1982-83 school year.

Chapter 385, Laws of 1981

Section 121.07(6)(b) of the statutes as affected by Chapter 20 is amended to read:

(b) The "primary ceiling cost per member" is 110 percent of the state shared cost divided by the membership for the school year previous to the school year used for aid computation. as determined by the state superintendent as provided in sec. 121.23.

Section 2042(4) Computation of membership of Chapter 20 is amended to read:

The membership and teacher pupil ratio of the school district on September 19, 1980, including summer average daily membership equivalent and excluding declining enrollment increment, shall be used in computing general aid for the 1981-82 school year.

Chapter 317, Laws of 1981 (The Budget Repair Bill), Published April 30, 1982.

Section 121.004(3) "Net cost" as created by Chapter 20, Laws of 1981 is revised as follows.

The "net cost" of a fund means the gross cost of that fund minus all nonduplicative receipts of that fund except property taxes and state general aids. In this subsection "nonduplicative receipts" included federal financed assistance under 20 USC 236 to 245, to

> the extent permitted under federal law and regulations, multiplied by 50% in the 1981-82 school year, 75% in the 1982-83 school year and 100% in every school year thereafter.
>
> Section 121.07(7)(a) of the statutes, as affected by Chapter 20, is amended to read:
>
> (a) The "primary guaranteed valuation per member" shall be $231,000 in the 1981-82 school year and $259,500 thereafter.

The most important changes made in the 1981 legislative session regarding the general aid formula were in Chapter 20; these provided for the prior year's membership and cost to be used in the general state aids computation. From the inception of the formula in 1949 until 1965, it was based on the prior year's enrollments and costs. The current aid bill in the sixties placed enrollment and costs on a current-year basis owing to increase enrollments and costs some school districts in Milwaukee and Waukesha counties were experiencing; these districts were successful in causing this "legislative" change. The change made school districts prepare their budgets for the July annual meetings using estimates of their membership from the third Friday in September and their costs for the ensuing year. Frequently, districts were embarrassed by their projections and had to change levies in October to compensate for poorly prepared budget estimates.

Chapter 20 provided districts with firm information regarding enrollments and costs and made it possible for districts to prepare accurate aid projections for their annual meetings.

In 1980-81, general aid was computed using the membership from the third Friday in September 1980 the summer average daily membership equivalent for the 1980 summer session, and a declining enrollment increment for districts with a membership loss below 96.9 percent of 1979-80 levels. In 1981-82, districts used the prior year's membership for the third Friday in September (1980) and the summer adm equivalent for the 1980 summer session. Declining enrollment was repealed. For 1982-83, the membership count was taken on the third Friday in September and on the second Friday in January and added to the summer school adm.

Shared costs for 1980-81 was on a current basis, whereas in 1981-82 it was changed to the prior years basis. Special adjustment aids were eliminated for 1981-82 by governor's veto. Supplemental state aids continued to be paid to tax incremental districts created prior to July 1, 1981. No state aids were paid to tax incremental districts created after that date. Excess tax base loss reimbursement, which was paid to zero-aids districts as partial compensation for their tax base loss from the exemption of personal property from taxation will be phased out for 1983-84.

Chapter 93 provided for special adjustment aids for 1982-83 to guarantee that no district would receive less than 91 percent of the equalization aid received in the prior year. Chapter 317 provided for phase-in of the PL 874 funds as deductible receipts in the general aid formula during 1981-82 and 1982-83 school years and reduced the primary guarantee for 1982-83 from $271,100 to $259,500.

1981-82

Factors involved with the general state aid formula.

Statistics Used For All Districts

1980 equalized valuation, personal property at 30 percent
(TID valuations included for 78 TIDs)

3rd Friday in September, 1980 membership plus summer school adm

1980-81 receipts and expenditures from 1980-81 annual reports

1981-82 levy divided by 1981 equalized valuation (October) = actual levy rate
(valuation without TID used for all districts)

Guaranteed Valuation (in dollars)

	Primary	Secondary
K-12	231,000	135,200
K-8	346,500	202,800
UHS	693,000	405,600

Primary Cost Ceiling

All Districts	2,252.02

Cost Controls at 10.5 percent

No declining enrollment adjustment aid

Prior year's membership and financial data used (1980-81 data used for 1980-81 and 1981-82)

Excess cost (over 10.5 percent) deducted in aid computation

No special adjustment aids

Supplemental aids (TID) computed using equalization aid formula

Statistical Data

Number of school districts.

Integrated UHS district	10
Integrated 8 grade district	50
Integrated K-12 or 1-12 grade district	373
Total	433

Enrollments in public schools.

Enrollment in Public Schools	804,262
Resident Membership	796,222
Summer School Membership	6,431
Total	802,653

Actual State Aid Payments

Primary Aid	$ 730,271,886.70
Secondary Aid	-1,277,144.28
Total	$ 728,994,742.42
Total Costs	$1,972,163,519.24
1981 Equalized Valuation	$112,321,998,105.00

Chapter 8

Wisconsin's Equalization Formulas

The State of Wisconsin can be proud of it's support of public elementary and secondary education. The legislature responded to State Superintendent John Callahan's appeal made in the twenties, "to create a state equalization fund so constituted and distributed that each community can furnish with state support an adequate educational opportunity for all of its children without an excessive local school tax effort."

This was a time when society was more rural in nature and educational programs were less complex; we were almost entirely dependent upon the local property tax for support of our public schools. This was also a time when we had 7,329 school districts in Wisconsin, 6,475 of them operating one-room rural schools. Educational programs in elementary schools varied in their offerings almost in direct relationship to the variations that existed in the property tax base of school districts. It was obvious that many of elementary school districts could not support an adequate educational program.

John Callahan's plea for state funding to supplement the tax base in low property valuation districts with a guaranteed tax base to enable districts to provide at least a basic educational program for all elementary students received a positive reaction by the Governor and legislature in Chapter 536, Laws of 1927.

Chapter 536 was called the Wisconsin Equalization Law. It provided a guaranteed tax base of $250,000 back of each elementary teacher unit. School districts with less that $250,000 per elementary teacher unit were eligible to receive state aid of up to 4 mills times the difference in the guarantee and the district's equalized value per elementary teacher unit, with a maximum payment per unit of $600.

John Callahan characterized the act as an outstanding educational effort by the legislature, with far-reaching implications for improving elementary school conditions in many areas of the state.

It indicated that the legislature recognized a major need of school districtsat the time and was willing to provide the necessary funding. It also established a partnership between the state and local school districts that still exists today.

The Callahan Law, was in effect from 1927 through the 1948-49 school year. In 1947, the legislature created a commission to study all phases of public education in Wisconsin and to recommend legislation to modernize and more efficiently operate the educational system and its financing.

This commission submitted its report to Governor Rennebohm in Novmeber 1948, with a recommendation that the following principles be a guide for developing finance programs for public elementary and secondary schools:

1. county-wide equalization of local tax as for school purposes
2. Some relief from the local general property tax, where excessive
3. elimination of elementary school county aids

4. State contributions as a greater portion of public school revenue

5. Inclusion of public school revenue derived from the state in the general budget

6. Some contributions from the state to efficiently operated public school districts

7. State aids to elementary and secondary education as part of a single, simple aid program

8. State aids to provide an incentive for developing increasingly good programs

9. State contributions to districts making an effort to improve educational offerings

10. Funds not be drained from districts making an effort to improve educational offerings in order to provide aids to districts satisfied with absolute minimums.

All but three of the recommendations (1, 3, and 7) were contained in Chapter 600, Laws of 1949, Number 3 - county elementary aid was eliminated in 1973, Number 1 - countywide equalization of the local tax for school purposes, Number 7 - all state aids to elementary and secondary education as part of a single, simple aid program - are recommendations that should receive consideration in the future.

Chapter 600, Laws of 1949, incorporated many of the recommendations of the Commission on Improvement of the Educational System. It placed the guaranteed tax base on a per-pupil basis rather than the elementary teacher unit, thus including all resident students in the formula. It provided an incentive for school districts to enrich the educational offerings and reorganize into K-12 or 1-12 grade districts. It attempted to keep taxes within certain limits to keep the tax load from becoming excessive. It increased state funding and established a partnership with local school districts. It provided a guaranteed tax base behind each resident student to assure at least a basic educational program offering for all. Finally. it established a simple equalization formula. All of these features were established in an effort to improve educational opportunities for students without creating an excessive property tax load.

The formula determines a school district's ability to fund an educational program on the basis of the full or equalized property valuation/student in the district. It is a sensitive instrument that reacts quickly to change in any of the following four factors: enrollment, cost, equalized valuation, guaranteed valuation.

An increase in enrollment causes: guaranteed valuation, costs, net guarantees, general state aid to increase. This was a common occurrence during the sixties and the early seventies. Equalized valuations increased an average of 5.8 percent per year, causing net guaranteed valuations to increase, resulting in increased state aid, even though the guaranteed valuation increases were modest.

Cost increases impact upon state aid, even if the other three factors remain static.

Large equalized valuation increases impact severely upon the state aid payments if the guaranteed valuation increase is not commensurate with the equalized value increase.

From 1949 through the middle sixties, the Biennial Aids Adjustment Committee studied enrollment, cost, and equalized valuation changes intending to recommend changes in the guarantee to help meet school district's needs. The original formula used the prior year's enrollment and costs and the second prior year's equalized valuation - which gave districts all of the factors needed in the formula prior to building the budget.

There have been many changes in the formula from 1949-50. Some were made to benefit all school districts; others however, have been made to benefit only a few. A account of these changes might indicate how the formula has become so complicated.

CHANGES IN THE GENERAL STATE AID FORMULA

1951-52

Chapter 11, Laws of 1951, the cost of operation on the prior year rather than the current year budget for computing general state aids. This change, was implemented in the 1950-51 fiscal year. It caused the same operational expenditures to be used for 1949-50 and 1950-51. This legislation made it possible for local school districts to have definite data for computing state aid when presenting their budgets at the annual meeting in July.

Chapter 11, Laws of 1951, used the equalized valuation for prior two years in the formula for 1950-51.

This change was also important, because prior-year valuations were not available until after the annual budget meeting of the year in which the aids were paid. Even though Chapter 11, Laws of 1951, was published March 3, 1951, it was implemented in the 1950-51 school year.

1955-56

Chapter 147, Laws of 1955, Increased the sharing in the general equalization formula from 9 mills to 15 mills for integrated 12 grade districts. This increase in the mill rate was recommended by the Biennial Aids Adjustment Committee.

1959-60

Chapter 402, Laws of 1959, based state aids computation on average daily membership rather the average daily attendance. Average daily attendance was the total days all pupils were present (aggregate days attendance) when school was actually in session; it averaged about 92 percent of enrollment.

Average daily membership (aggregate days membership) which was the total all pupils were present and absent when school was actually in session; it averaged about 96 percent of enrollment during the year.

This was a significant increase in student count and the payment of state aids. Proponents of the change cited a number of cases where it was more appropriate to receive credit for student membership. A bus stops to pick up a student, but the student is ill. The district has the same expenditure regardless whether the child rides or not. The ill student is not counted, but the teachers salary is the same whether the child is in the class or not. Proponents of average daily attendance feel that school districts place less emphasis on attendance with adm.

1961-62

Chapter 306, Laws of 1961, based guaranteed valuation of an annual or biennial valuation/adm. From the 1949-51 biennium through the 1959-61 biennium, the Biennial Aids Adjustment Committee and the legislature provided a guaranteed valuation for two-year periods. This made it possible to have a different guarantee for each year of the biennium. This action was most appropriate because enrollments and costs were increasing significantly; having to use the same guaranteed valuation in both years impacted adversely on districts with rising enrollments and costs.

Chapter 572, Laws of 1961, granted school districts the authority to conduct summer schools and established a system of state aids for summer schools. State aids for summer schools were incorporated into the general aid formula for the regular year. Classroom periods attended during the summer were divided by 720 to make the summer school enrollment commensurate with the regular year. (180 days x 4 periods/day establishes the divisor) Summer school membership was then added to the membership for the prior year to determine aids for the year of payment. This was a simple method that didn't interrupt the regular-year state aid formula.

1963 Legislative Session

Chapter 564, Laws of 1963, increased the required operational levy rate limit for integrated K-1-12 grade districts from 15 to 17 mills. This action was taken by the legislature to control excess cost aid payments and was necessary because the guaranteed valuation had not increased since 1959. The tax limit of 15 mills was established in Chapter 600, Laws of 1959, as one of the underlying principles. It stated that "the property tax load can become excessive, and the state support program attempts to keep taxes within certain limitations." This legislation was a departure from the state's assigned position and will cause and a greater burden placed on the local property tax.

Chapter 147, Laws of 1963, considered elementary tuition in out-of-state schools a part of the cost of operation credited the district of residence with adm. This was the first time that a tuition student's costs and adm were included as part of the formula. Although it was limited to elementary, out-of-state school tuition, it opened the door for high school students and in-state tuition schools to be given the same treatment.

1965-66

Chapter 261, Laws of 1965, based general state aids payments on the current-year budget. It provided for general state aid payments to be based on the current membership and teacher-pupil ratio on the third Friday in September, the estimated budget for the current year of operation, and the equalized valuation for the prior school year. Adjustment of aids, based on actual operating cost, would be made at the end of the fiscal school year.

The biennial aids adjustment committee recommended that aid payments be placed on a current basis. The committee noted that at the present time all reorganized districts receive aid based on current year costs and enrollments. The average daily membership of the 3rd week in September and the approved costs based on the school budget for the current year rather than prior year's statistics.

They felt that it was more equitable to base aid payments on the costs for the year in which they are incurred and on the enrollments for the same year.

The Legislative Council did not endorse the current aid bill for a number of reasons. Placing the membership and costs on a current basis created some serious problems with the administration of the state budgets as well as in the local school districts.

State budget requests for general aids for a two-year period should be projected with firm information on the base year. Budget for the 1967-69 biennium would be prepared without final computation of state aids for 1966-67.)

Using current membership and current costs caused the administration of the aid formula on the state level as well as in the local school districts to be based on a budget for all school districts in October and again at the annual report at the end of the school year. This increased the workload in the state aids division as well as in the local district at a time when school districts reorganization fell off materially after all the area in the state became a part of a high school district in July of 1962.

In addition to the current membership and current costs, Chapter 261 moved the equalized valuation forward one year causing the formula to be based on a prior year rather than two years prior to the year aids were to be paid. This caused all three factors in the formula (membership—costs—equalized valuation) to be estimated inasmuch as the equalized valuation for the prior year is certified after the July annual meetings.

During the period from 1965 to 1972-73, we have experienced a substantial increase in student membership, school costs and equalized valuations. With these increases and the projected budgets based on estimates rather than firm figures has made it very difficult to provide accurate budget information. This has not enhanced the image of boards of education, administrators or business managers in the eyes of the electors of the school districts. The general state aid formula became much more difficult to administer due to this change. This is the first change in the formula since its inception in 1949-50 that adversely affected the administration of the formula.

Finally, Chapter 261 guaranteed that no district would receive a lessor amount of state aid in 1965-66 school year than it received in the 1964-65 school year. This caused a number of districts to receive general state aid which was determined by other than the general state aid formula during this one year. This is the beginning of legislative decrees that satisfy special interest groups rather than for treatment that is universal for all districts.

Chapter 659, Laws of 1965, repealed 40.71(1)(the Biennial Aids Adjustment Committee) and created 13.83(2)(Education Committee for Aids Adjustment) as Legislative Council.

This action transferred the recommendation of the adjustment of the guaranteed valuation in the general state aid formula from the biennial aids adjustment committee.

Chapter 11, Laws of 1965, altered the computing of the general aid formula when the effective reorganization date was delayed due to litigation. Section 40.70(4)(b) reads:

> where a reorganization order is not effective under s. 40.025(4) (effective date and validity of reorganization) due to litigation until after the third Friday in September, but before April 1 of the current fiscal year, state aids for such district affected by the reorganization order for the first year of operation

> shall be computed after such order is effective using calculations by the state superintendent of the average daily membership and teacher-pupil ratio for the area in such district as had been in existence on the third Friday in September.

This legislation was created for a single district that wanted to receive state aids as a K-12 district rather than a UHS district. This UHS was reorganized into a K-12 district in 1964. Litigation stayed the order of reorganization so that on the third Friday in September 1964 it remained a UHS for the determination of state aids. State aids as a UHS rather than a K-12 was reduced by more than $200,000. The litigation was resolved in March 1965, which prompted legislation to be established as of April 1. It remains in the statutes, with only a slight modification, and has not been used by any other district up to the present time.

1967 Legislative Session

This was the first session that the Education Committee of the Legislative Council took over the role of the Biennial Aids Adjustment Committee. The Education Committee's recommendation to increase guaranteed valuations was only partly honored. The legislature increased the guaranteed valuation for K-12 districts to $39,000 for both 1967-68 and 1968-69, which was substantially lower than the $40,000 and $42,000 recommended by the committee.

1969 Legislative Session

The Education Committee's recommendations relating to the general aid formula were embodied in Senate Bill 4A, which contained three important changes. It - adjusted the guaranteed valuation/student in integrated K-12 districts, using a 15 mill rate index - eliminated excess aid payments, - removed the statutory limits on school districts' taxing authority.

Chapter 154, Laws of 1969

This act amended section 120.10(8) of the statutes, eliminating the operational levy rate limits, thus doing away entirely with the concept that tax rates might become excessive and replacing the limit with a new type of limit for the sharing of operational costs.

It also eliminated the payment of excess state aid by repealing 121.13(4) of the statutes. These two actions were recommended by the Education Committee, however, the recommendation of the Department of Public Instruction was to eliminate the operational levy rate limit and excess cost aids with the implementation of the 15 mill rate index method of establishing the guaranteed valuation for Integrated K-12 districts.

The 15 mill rate index was not accepted by the legislature as they were not ready or willing to have it become statutory.

Section 121.07(6) was amended by establishing a ceiling, for the sharing of equalization aid, at 110% of the state average net cost of operation for school districts of like organization. Thus excluding that portion of its net operation cost which is in excess of 10% above the state average for the payment of state aids. The 110% ceiling was the forerunner of cost controls, which we would see in 1973-74.

To cause the two changes without the assurance that the guaranteed valuation would keep pace with the needs of school districts was unfortunate.

Section 3812 of Chapter 154 established a phase-out procedure to compensate for the two changes. It established the following state aid guarantees:

> 1. In no case shall any school district receive an amount of state aid in the 1969-70 school year which, as a result of changes made therein by this act, is less than such district received in the 1968-69 school year as state aid, including excess aids.
>
> 2. If the school district equalized valuation in any school district which received excess aids for the 1968-69 school year was less than $23,000 per pupil that year, such district for the 1969-70 and the 1970-71 school years, in addition to any school aids received by such districts, shall also receive excess aids phase-out assistance as follows:
>
>   a. For 1969-70, the amount of excess aids phase-out assistance for such district shall be 17 percent of the excess aids received for the 1968-69 school year.
>
>   b. For the 1970-71 school year, the amount of the excess aids phase-out assistance for such district shall be 10 percent of the excess aids received in 1968-69.

This was the second time the legislature established a hold harmless guarantee when a legislative change adversely affected school districts. The first one dealt with the current aids bill in 1965. Special interest groups were instrumental in obtaining these hold harmless guarantees for certain school districts. The danger was in having aids paid on the basis of past years' payments rather than the formula as well as making the administration of state aid very complicated.

Chapter 501, Laws of 1969, further complicated the administration of state aids by increasing the phase-out from 17 percent to 70 percent for 1969-70 and from 10 percent to 40 percent for 1970-71.

1971 Legislative Session

The state superintendent's office proposed having the guaranteed valuation determined using the 17-mill rate index in place of the 15-mill rate proposed in the last legislative session. The guaranteed valuation established by the legislature was incapable of retaining a 15-mill average rate for the state, so the average increased to 17 mills. The proposed 17-mill index would retain the present rate of 17-mills during the 1971 and 1972-73 fiscal years.

Chapter 125, Laws of 1971, Created 121.05(2): "In a school district operating its regular school term on a continuous basis, the school district clerk shall add to the number of pupils enrolled on the third Friday in September any pupils who are not then enrolled but are residing in the school district and will become full-time pupils on or before December 31 of the same year." **The legislation was repealed in Chapter 20, Laws of 1981.**

Chapter 125 also amended 121.07(6)(b), changing the ceiling for sharing from 110 percent to 105 percent with the following variables:

> 121.07(6)(c) If the net operating cost per pupil of an integrated aid district operating both elementary and high school grades is more than 5 percent above the average per pupil net operating cost for the current school year for school districts of like organization, the limitations set by par. (b) shall be increased by 2 percent for each full $1,000 by which its school district equalized valuation per pupil for the current school year that is less than the average per pupil school district equalized valuation for the current school year for school districts of like organization.
>
> The net operating cost of a school district, as calculated under this paragraph, shall not exceed its actual net operating cost, nor may the limitation exceed 120 percent of the average per pupil net operating cost for the current school year for school districts of like organization, whichever is less.
>
> The act provides for a variable ceiling ranging from 105 percent to 120 percent. If an integrated K-12 grade district exceeds the ceiling of 105 percent and has a property valuation per student for school districts of like organization, the ceiling may be increased by 2 percent for each $1,000 valuation per student below the statewide average valuation per student, to a maximum of 120 percent.

This act provided a higher ceiling for low valuation districts but created an administrative nightmare for the state aids division. It established nine each percentage, cost and mill rate ceilings for integrated K-12 districts. It used 105 percent for all other districts. It led to great confusion when the general state aid formula was being explained.

1973 Legislative Session

More changes occurred in the state aid formula in the 1973 legislative session than any other since its inception in 1949. Chapter 90, the budget bill, embodied most of these changes in response to recommendations made by the Doyle Task Force of 1972.

Teacher Retirement and Social Security Payments

Section 40.40(3) regarding social security payments for public employees was repealed, and section 42.20(5)(4) was amended to assign the school district as the employer (rather than the state) for payment of the employer's share of teacher retirement and social security. The monies for these two trust funds was added to general aid for the 1973-74 fiscal year. This change was not welcomed by local districts at the time; it was, however, appropriate to place it in the general aid formula along with the employee's share of social security and teacher retirement.

County Elementary Aid Eliminated

Section 59.07(21) was repealed. This eliminated the $350/elementary teacher limit which school districts received from the county. This impacted upon the general aid formula inasmuch as the $350 was considered a deductivel receipt, reducing the net cost of operation.

Repeal of Basic and Integrated Classifications -- Creation of 13 Standards

Section 121.02 was repealed and recreated to replace the basic and integrated classifications of school districts with a set of 13 minimum standards that all districts were required to meet for state aids eligibility. The basic and integrated classifications for school districts served a very important role in the fifties and early sixties. It provided an incentive for districts to improve program offerings; however, in the latter part of the sixties and the early seventies, most districts were receiving state aids as integrated districts, and it had served its purpose.

The new standards established in Chapter 90 required districts to meet one-third of the 13 standards in 1973, two-thirds in 1974, and all standards by 1975, to be eligible for state aids. Eligibility for state aids was stricken as a condition for not meeting the 13 standards. The state superintendent's failure to enforce the standards make this legislation of little value.

Equalized valuation for payment of general aids placed on a current year basis

This action forced the Department of Public Instruction and local school districts to estimate their current equalized valuations before they received the prior year's equalized valuations to use as the basis for projections. Action basing the equalized valuation on statistics from two years prior to the year of payment would have been more appropriate.

Net operating cost replaced by shared cost

Section 121.07(6)(a) of the statutes defined shared cost, as "the net cost of operation, plus up to $100 per pupil, of the cost for the principal and interest payments on long-term indebtedness and the annual capital outlay." It also placed utility receipts as deductable in the formula, prompted by an anticipated increase in those costs.

Including capital assets in the shared cost, even though limited to $100/pupil, was a beginning; some day all of these costs should be included in the formula.

The employer's share of social security and teacher retirement was also included in shared cost.

Two Levels of State Support

> One of the criticisms voiced by the Doyle Task Force was that no aid was paid to districts that incurred costs in excess of the ceiling during 1971-72 and 1972-73. In response to this criticism, two levels of support were established, by an amendment of 121.07(6)(b), so that all shared costs became part of the general aid formula.
>
> The state will share in funding shared cost up to an established ceiling at one level of support. All shared cost in excess of the established ceiling will be shared at a lower level of support.
>
> The ceiling is established at 110 percent of the previous year's statewide average shared cost for a like organization. This cost is referred to as the

primary shared cost, and the aid is called the primary aid 121.07(6)(c) as repealed and recreated.

The state will share in funding that part of the shared cost which exceeds 110 percent of the previous year's statewide average at a lower level of support. This aid is considered secondary aid.

Two Levels of Guaranteed Valuations

Section 121.07(7) through (10)

The primary guaranteed valuation was established by the legislature for each type of district for each of the two years in the biennium. The secondary guaranteed valuation is an amount rounded to the nearest $100 determined by dividing the equalized valuation of the state by the number of pupils enrolled in the state for like type districts for each of the two years in the biennium.

State Aids Payments to School Districts

Section 121.08(1) computed the general state aids formula in the same manner, using primary costs and primary guaranteed valuations. If the district exceeded the 110 percent shared cost ceiling, secondary costs and secondary guaranteed valuations were used.

Payments by Certain Districts to the State

Section 121.08(2 and 3) provided for districts to make payments to the state if they had an equalized valuation/student, greater than the guaranteed valuation. The formula was computed on a primary level; the difference between the equalized valuation and the guaranteed valuation was multiplied by the required levy rate, producing negative aid. If the district exceeded the ceiling of 110 percent, the excess shared cost, was divided by the secondary guaranteed valuation; this in turn was multiplied by the difference between the equalized valuation and the secondary guaranteed valuation.

Primary negative aid was not implemented until the 1977-78 school year. Secondary payments began in 1973-74. Negative secondary aid was to be added to positive primary aid so that no actual payment resulted. If negative secondary aid more than offset positive primary aid, a net negative payment resulted. However, no negative aid payment was required until the 1976-77 school year.

Transitional Payments

Section 121.08(4) was created to provide transitional payments for the following:

a) a school district which will receive less state aid in 1973-74 than it received in 1972-73 (general aid plus employer's share of social security and teachers retirement) will receive, in addition to its 1973-74 aid, a transitional payment equal to 90 percent of the difference between its 1972-73 aid and its 1973-74 aid.

b) a school district which will receive less state aid in 1974-75 than it received in 1972-73 (including social security and teachers retirement) will receive, in addition to its 1974-75 aid, a transitional aid payment equal to 80 percent of the difference.

This is the same treatment that was provided when the current aid program was established.

Flat Aids Repealed

Sections 121.09 to 121.13 of the statutes was repealed. In lieu of this action, the two levels of state support now included all districts in the equalization formula.

State Aids Budget Calculations

The biennial budget request of the Department of Public Instruction calculated the amount of general state aids needed by multiplying the estimated current equalized valuation of the state by an "appropriate mill rate" and subtracting that amount from the estimated statewide shared cost. An "appropirate mill rate" was the key to this projection, and the figure was not always accepted.

State General Aids Appropriation Increase and Cost Controls

The transfer of the employer's share of social security and teachers retirement, plus the transfer of the balance remaining in the state treasury after the 1971-73 biennium, brought the total share of state aid to 40 percent of the total cost of education. Part of this increase was intended to provide property tax relief. To ensure that a portion of the additional state aids resulted in property tax relief, a limit was imposed on the shared cost increase ($55/student). This was intended to be in effect for 1973-74 only.

Chapter 90 imposed two limits on shared cost, one of $55/pupil increase from 1972-73 to 1973-74 and one of 110 percent of the prior year's state average shared cost per pupil. Districts exceeding the 110 percent continued to have the cost shared but at a greatly reduced guaranteed valuation.

One would have thought the 110 percent ceiling was sufficient to hold down the spending without having a cost control as well.

Chapter 333, Laws of 1973, amended 121.07(4) the action contained in Chapter 90, causing general state aids to be determined on a current basis. This action returned the prior year's equalized valuation to use in calculating the general aids formula. This was critical if the formula was to retain credibility.

While Chapter 90, section 70.995, exempted manufacturing equipment and machinery from taxation beginning in 1974, Chapter 333, section 201c, provided an adjustment in the 1973 equalized valuation for computing general aids for 1974-75. "A school district that experiences a reduction in its 1974 equalized valuation due to the exemption specified in section 70.11(27) of the statutes shall have its 1973 equalized valuation reduced in proportion to the 1974 reduction of taxable property for the computation of the 1974-75 general state aids."

1975 Legislative Session

Chapter 39, Laws of 1975, repealed the following incomes for school districts:

1. National forest income
2. Forest cropland income
3. Utility tax distribution

These three incomes were no longer available to school districts in 1975-76. The loss of utility tax receipts impacted upon the formula, because they were considered operational and, thus, were deleted from the shared cost definition in section 121.02(2) of the statutes.

General Aid Eligibility Standards

Section 121.02(1) was amended to delete the phrase, "In order to be eligible for state aids under section 121.08." **This left compliance with the standards as a responsibility of the state superintendent's office.**

Same Ceiling for All School Districts

Section 121.07(6)(b) was amended to delete the phrase "for school districts of like organization." **Therefore, all school districts were subject to the same ceiling.**

Guaranteed Valuations for K-8 and UHS

Section 121.07(8)(c) created a new method for determining guaranteed valuations for K-8 districts. It read:

> For the 1975-76 and 1976-77 school years, the state superintendent shall substitute the amounts in par. (a) with the amounts rounded to the nearest $100 determined by multiplying the amounts in sub. (7)(a) by 1.1895.

1.1895 x $ 90,200 = $107,300 for 1975-76
1.1895 x $102,700 = $122,200 for 1976-77

Section 121.07(9)(c) created a new method of determining the guaranteed valuation for UHS districts. It read:

> For the 1975-76 and 1976-77 school years, the state superintendent shall substitute the amounts in par. (a) with amounts rounded to the nearest $100 determined by multiplying the amounts in sub. 7(a) by 2.8050.

2.8050 x $ 90,000 = $253,000
2.8050 x $102,700 = $288,100

Multiplying the factor of 1.1895 times the K-12 guaranteed valuation for the elementary districts and by 2.8050 for UHS kept the ratio between K-12 districts and the other districts.

Special Transitional Aid

Section 121.09 was created to authorize the payment of a special transitional aid to certain school districts that (1) were eligible for transitional aid for the 1974-75 school year. (2) had manufacturing and equipment m and e property exempted in 1974, and (4) were eligible for transitional aid in 1975-76.

Chapter 90, Laws of 1973, provided transitional aid for districts in 1973-74 and 1974-75, receiving less general aid than they received in 1972-73. This special transitional aid was available to districts that received transitional aid during 1974-75 and continued to be eligible for transitional aid during 1975-76 and 1976-77; it was 70 percent payable in 1975-76 and 60 percent payable in 1976-77.

Summer School Average Daily Membership

Section 121.14(2) was amended to provide for the summer school average daily membership equivalency to be computed by dividing the total number of approved classroom or laboratory periods by 1,080 (the divisor formerly was 720).

Cost Controls

Section 121.91 limited to 9½ percent the extent to which school districts could increase the budgeted shared cost per pupil over the prior year's shared cost. In 1973 legislators were greatly concerned with property tax relief. They increased appropriations for general state aids significantly and wanted an assurance that districts would not go on a spending spree. They imposed a cost control of $55/student for that one year. No cost controls were in effect during 1974-75.

The 1975 legislative session imposed a 9½ percent cost limitation beginning in the 1975-76 fiscal year. All kinds of adjustments were necessary with this limitation, due to the loss of a number of receipts formerly received by districts. A series of exceptions were attached to the limitations, making general aids administration even more difficult.

Chapter 220, Laws of 1975, created 121.85 of the statutes, relating to the creation of a transfer program between and within school districts to promote cultural and racial integration. The general aids formula was used as an incentive for districts to facilitate the transfer of students, as indicated in the following:

> Intradistrict transfers:
>
> The school district of attendance of pupils transferring from one attendance area to another within the school district shall be entitled to an amount equal to that produced by counting the transfer student as 1.2 for state aid computation.
>
> Interdistrict transfers:
>
> If a pupil transfers from one school district to another under the interdistrict transfer agreement, the school district of residence shall count each pupil as one pupil involved for state aid computations.

This is the second time that the general state aid formula was weighted, kindergarten students being weighted at .5 membership the only other occasion. Such weighting might be considered in future studies of the formula.

1977 Legislative Session

Chapter 29, Laws of 1977, (Budget Bill for 1977-79 Biennium)

Assessment Date of Real and Personal Property Changed

Section 70.10 was amended to require assessment of all real and personal property as of January 1 (rather than May 1) of each year. Assessments were to be completed before the first Monday in April rather than July. (This could have moved the date school districts received their equalized valuations to June rather than August, making the prior year's valuation available so that districts had, a firm valuation prior to annual meetings in July.)

State Aid Budget Calculation

Section 115.28(11) state aids budget calculation was amended to read, "In preparing the biennial budget request of the Department of Public Instruction, calculate an amount to be distributed as state aid which represents an appropriate percentage of estimated statewide school district costs after estimated federal aids and local receipts, other than property taxes, have been deducted." **This action changed the calculation from an appropriate mill rate to an appropriate percentage of costs.**

Membership Count for EEN Children in Join District/CHCEB Programs

Section 121.004(5)(e) of the statutes provided that a pupil enrolled concurrently in the school district and in a special education program operated by a county handicapped children's education board in a school district facility be counted as one-half pupil; a pupil was exempt when enrolled exclusively in a special education program operated by a county handicapped children's education board or if enrolled for less than 20 percent of school time in a resource room operated by a county handicapped children's boards shall be counted as one pupil.

Section 1617(3) allowed these pupils to be counted as three-fourths rather than one-half for purposes of computing 1977-78 state aids only. Three to five-year-old handicapped children enrolled in joint district/CHCEB programs were counted as .375 (3/4 of 1/2 for aid computation purposes.

Shared Cost Redefined

Section 121.07(6) was repealed and recreated to define "shared cost" as the sum of the school district general fund, operational cost, and the annual capital outlay, less operational receipts but including principal and interest payments on long-term indebtedness for the current school year. The latter cost was not to exceed $90/member.

This amendment added all capital outlay to the general fund operational cost. The transfer of capital oulay prompted a reduction of limit on principal and interest payments on long-term indebtedness from $100/member to $90/member.

Guaranteed Valuation per Member

Section 121.07(7) was repealed and recreated to read:

(a) The "primary guaranteed valuation per member" shall be $116,800 in the 1977-78 school year and $130,500 thereafter.

(b) The "secondary guaranteed valuation per member" shall be an amount rounded to the nearest $100 determined by dividing the equalized valuation of the state by the state total membership.

(c) For districts operating only high school grades, the amounts in paragraph (a) and (b) shall be multiplied by 3 and rounded to the nearest $100.

(d) For districts operating only elementary grades, the amounts in paragraphs (a) and (b) shall be multiplied by 1.5 and rounded to the nearest $100.

The primary guarantee for high school grades was $350,400 in 1977-78 and $491,500 for 1978-79. The primary guarantee for elementary grades was $176,200 in 1977-78 and $245,750 in 1978-79.

Payment of State Aids Reduction

Section 121.08, "State aids; payment by certain districts" was repealed and recreated as "Payments of state aids: Reductions." "The aid computed under sub. (1) shall be reduced by the amount by which the school district equalized valuation exceeds the secondary guaranteed valuation, multiplied by the secondary levy rate. In no case may the aid under this section be less than zero."

Negative Aid Payments to State

Section 121.08(3) of of the statutes was repealed.

Transitional Aid Payment

Section 121.08(4) of the statutes was repealed.

Special Transitional Aid Payments

Section 121.09 of the statutes were repealed.

Special Adjustment Aids

Section 121.10 of the statutes was created as follows:

(1) If a school district would receive less general aid under s. 121.08 for the current school year than it received in state aid in the previous school year, its general aid for the current school year shall be increased by an amount equal to 50 percent of the difference between state aid received in the previous school year and the amount computed under s. 121.08 for the current school year.

(2) To be eligible to receive aid under sub. (1), a school district shall meet the following criteria:

  (a) Its percentage increase in equalized valuation per member current school year from that of the previous school year must be greater than the average percentage increase in equalized valuation per member for the current school year from that of the previous school year for districts of like organization.

  (b) Its equalized valuation must be less than the primary guaranteed valuation for districts of like organization, and

  (c) Its secondary shared cost, if any, must be less than 20 percent of its primary shared cost.

(3) For purposes of this section, "state aid" means the sum of the amounts received as general aid under 121.08, aids paid under section 1617 of Chapter 29, Laws of 1977, and aids paid under sub. (1).

(4) If the appropriation under Section 20.255(1)(fs) in any year is insufficient to fund the full amount otherwise payable under this section, special adjustment aid payments shall be prorated among the districts entitled thereto.

No Aid on Expenditures Above Cost Control Maximum

Section 121.155 was made to read, "Cost Controls" General aid under this subchapter shall not be paid on expenditures which exceed the maximum controllable cost."

Chapter 418, Laws of 1977, provided for the following changes:

Jointly Enrolled Residents to Count as Full Pupils

Section 121.004(5)(e) of the statutes, as created by Chapter 29, Laws of 1977, was repealed, effective in 1978-79. **The effect was that the pupils were be counted as full students.**

There is still reason to question why these children should be counted as one, since they are presumed to be enrolled only half-time in the school district and the other half in CHCEBs.

Declining Enrollment Increment for Aid Purposes

Section 121.004(8) was amended to define membership for aid purposes as including a declining enrollment increment.

A district whose 1978-79 membership is less than 97.9 percent of its 1977-78 membership will use the average of those two figures to compute its 1978-79 aid.

Example:	1977-78 Membership	1978-79 Membership
	1,000	950
	X	
	97.9 percent	

979 + 950 = 1,929 ÷ 2 = 965

Supplemental Aids Created for Tax Incremental Financing Districts

Section 121.085 creates a supplemental state aid for qualifying districts containing a T.I.F. district to replace the tax increment reimbursement provision of s. 66.46(11)(b), which was repealed. The new supplemental state aid is provided to school districts whose tax incremental finance districts have experienced growth such that there is a difference between the amount of general state aid calculated under the current general state aid formula, and the amount of general state aid a district would receive if the valuation of the T.I.F. district were frozen as of the time of its creation. The above difference is the amount of the supplemental aid. This is in contrast to the method employed under s. 66.46(11)(b) as repealed, wherein the calculation used the current-year valuation in its computation and made districts whole for T.I.F. monies withheld from the tax levy. The new supplemental aid, since it operates through the general aid formula, uses prior year valuation. Thus, school districts will not receive aid under this provision until one year after growth is experienced in the T.I.F. district and one year after tax increment monies have been withheld from the district's levy, and then not necessarily the whole amount of the tax increment withheld for districts having non-shared cost.

Change in Special Adjustment Aids Qualification

Section 121.10(2)(c) of the statutes was amended to change one of the qualifications for special adjustment aids. Previously, such aid could only be paid to a district if its secondary cost was less than 20 percent of its primary cost. Now a district whose equalized valuation was lower than the secondary guarantee was exempt from this qualification. This provision applied in 1977-78, but the districts affected by it did not have their 1977-78 aid payments changed; the effect of this legislation was reflected in adjustments made to 1978-79 aid on the basis of actual 1977-78 figures.

Tuition Agreements Between Adjacent Increasing/Decreasing Enrollment Districts

Section 121.78(3) was created to allow adjacent school districts to enter into an annual agreement with approval from the state superintendent) to send pupils from a district with increasing enrollment to a district with decreasing enrollment, effective in 1978-79. The district of residence paid the tuition and counted the children in membership, pursuant to amended s. 121.05(1)(a)3.

1979 Legislative Session

Chapter 34, Laws of 1979, provided for the following changes:

Declining Enrollment Increment Factor Changed

Section 121.004(8)(e) amended Chapter 418 which established 97.9 percent of the prior year's membership as a factor in computing state aids (the declining enrollment section of the statutes). Chapter 34 reduced it to 96.9 percent; the governor vetoed the 0.9 percent setting the factor at 96.0 percent.

Alternate Date for Taking Membership Count

Section 121.05(3) of the statutes was created to read, "If a school district is unable to hold school on the third Friday in September, the state superintendent shall designate an alternative membership counting date and may designate an alternative reporting date."

Reimbursement for Excess Tax Base Loss

Section 121.11 of the statutes was created so the state could reimburse school districts that received no general state aids and experienced a personal property valuation reduction in excess of 5.4 percent of total valuation reimbursed for the tax revenue loss in the excess tax base loss. The reimbursement was computed by the Department of Public Instruction for the nine school districts involved.

Payment of General State Aid in 1980-81

Section 121.15(1) of the statutes was repealed and recreated to provide that general aids be paid according to a schedule rather than on the basis of need.

Intradistrict Special Transfer Aids

Section 121.85(6)(a) 2. was amended to increase each transfer pupil from .20 to .325 membership when computing general state aids paid in lieu of receiving reimbursement aid for costs incurred to transport students.

Chapter 221, Laws of 1979, The Budget Review Bill

Section 13.83(2) repealed that portion of the education committee dealing with aids adjustments. The Aids Adjustment Committee studied the state aid formula and made recommendations to the Legislative Council regarding guaranteed valuation in the formula.

Repealing section 13.83(2) discontinued any committee action regarding aids adjustment in the formula.

Presently the joint finance committee reviews the Department of Public Instruction's budget request along with the budget developed by the Department of Administration; however, much of the background information regarding the formula is now developed in the Legislative Fiscal Bureau. This bureau provides information to the joint finance committee on all portions of the state budget.

Chapter 244, Laws of 1979, provided for the following changes:

State Aids for Tuition Students

Section 121.78(1) was amended to read, "School districts of residence shall be paid state aid for tuition students as though they were enrolled in the district of residence."

1981 Legislative Session

Chapter 20, Laws of 1981, provided for the following changes:

Membership

Section 121.004(8)(b) was amended to read: "Membership for any school district is the sum of pupils enrolled as reported under s. 121.05 and the summer average daily membership equivalent for classes approved under 121.14."

Declining Enrollment Increment

Section 121.004(8)(c) the declining enrollment increment was repealed effective for the 1981-82 school year.

Prior Year's Membership

Section 121.05(1) was repealed and recreated. Beginning in 1981-82, the prior year's membership was used in the general aid formula. The actual membership on the third Friday in September 1980 plus the adm equivalent for the 1980 summer session was used to determine state aids. In 1982-83, the one-day membership count was replaced by the average of two counts, one on the third Friday in September and the other on the second Friday in January.

Continuous Basis School Year Repealed

Section 121.05(2) The continuous basis school year, was repealed.

Membership and Shared Cost on Prior Year Basis

Section 121.07(1)(a) was amended to read, "The membership and teacher-pupil ratio of the school district in the previous school year as reported under 121.05 and the shared cost for the previous school year shall be used in computing general aid."

The return to the prior year in the general aid formula was very important legislation. It provided the state aids division and local school districts with accurate information for use in the formula, making it possible to prepare budgets projections with greater accuracy. The other factor that still needed to be amending was the equalized valuation of school districts.

Special Adjustment Aids

Special adjustment aids were eliminated for 1981-82 with the governor's veto of the appropriation.

Supplemental State Aids

Supplemental aid, (Section 121.085) paid to districts to compensate for their loss of tax base with the creation of tax incremental finance districts within their boundaries, was continued for those districts where TIF districts were in place before July 1, 1981. For TIP districts enacted after that date, the loss of tax base was not offset with supplemental aid or any other form of payment.

Excess Tax Base Loss Reimbursement

Excess tax base loss reimbursement, paid to zero-aid districts in partial compensation for their loss of tax base owing to the exemption of personal property from taxation, was continued in 1981-82. However, it was and is being phased out by paying two-thirds of the 1981-82 amount in 1982-83 and one-third of the 1981-82 amount in 1983-84.

Chapter 93, Laws of 1981, provided for the following change:

Special Adjustment Aid for 1982-83

Under Section 121.10(1), if a school district received less than 91 percent of general aids under s. 121.08 for the current year than it received as state aid in the previous school year, its general aids for the current year were increased to an amount equal to 91 percent of the state aid received in the previous school year. No aid was paid under this section after the 1982-83 school year.

Chapter 317, Laws of 1981, Budget Repair Bill

Federal Impact Aid Phased-in as a Deductible Receipt in General State Aid Formula

The "net cost," created by Chapter 20, Laws of 1981, was revised to read,

> The "net cost" of a fund means the gross cost of that fund minus all nonduplicative receipts of that fund except property taxes and state general aids. In this subsection, "nonduplicative receipts" includes federal financed assistance under 20 USC 236 to 245, to the extent permitted under federal law and regulations, multiplied by 50 percent in the 1981-82 school year, 75 percent in the 1982-83 school year and 100 percent in every school year thereafter.

This provided for a phase-in of P.L. 874 funds into deductible receipts over a two-year period.

SUMMARY OF ADVERSELY MODIFICATIONS MADE TO THE GENERAL AIDS FORMULA LAW

Law	Modification
Chapter 261, Laws of 1965 Current Aid Act	Placed the state aid formula on a current membership and teacher-pupil ratio of the district as of the third Friday in September, an estimated budget for the current year of operation, and the equalized valuation for the prior year.
Chapter 11, Laws of 1965 Formula Altered by Litigation	Altered computation of the general aids formula when the effective date of reorganization was delayed due to litigation.
Chapter 154, Laws of 1969 Ceiling for Sharing Aid	Established a ceiling for sharing equalization aid of 110 percent of the state average net cost of operation, thus excluding that portion of its net cost in excess of 10 percent above the state average.
Chapter 154, Laws of 1969 Phase-out Procedure	Compensated affected districts by subtracting guaranteed payments during 1969-70 and 1970-71 in response to the elimination of excess aid and a removal of the statutory limits on school districts' taxing authority.
Chapter 125, Laws of 1971 Ceiling for Sharing Aid	Reduced ceiling for sharing of equalization aid from 110 percent to 105 percent with a variable graduated increase of 2 percent to a maximum of 120 percent. Ceilings above 105 percent provided to low property valuation districts.
Chapter 90, Laws of 1973 Equalized Valuation on a Current-Year Basis	Provided for 1973-74 general state aids to be computed on the 1973 equalized valuation, though it would not be certified to the school district until June 1974.
Chapter 90, Laws of 1973 Two Levels of State Support	Established a primary ceiling level of state support for costs up to 110 percent and a secondary ceiling level of state support for shared costs exceeding 110 percent.
Chapter 90, Law of 1973 Two Guaranteed Valuations for Each Type of District	Established a guaranteed valuation for primary costs and on secondary costs, determined by dividing state equalized valuation by the pupils enrolled.

SUMMARY OF ADVERSELY MODIFICATIONS MADE TO THE GENERAL AIDS FORMULA LAW (continued)

Law	Modification
Chapter 90, Laws of 1973 Negative Secondary Aid Subtracted from Positive Primary Aid	Subtracted negative secondary aid from positive primary aid begining in 1973-74.
Chapter 90, Laws of 1973 Transitional Payments	Offered transitional aid payments to school districts to compensate for other changes made in Chapter 90.
Chapter 90, Laws of 1973 $55 Limit on Shared Cost	Imposed a limit for the 1973-74 school year on the shared cost increase of $55/student.
Chapter 333, Laws of 1973 Manufacturing Equipment and Machinery Tax Exemption	Provided an adjustment in the 1973 equalized valuation for computing general aid for 1974-75 in districts experiencing a reduction in their 1974 equalized valuation owing to the exemption of manufacturing equipment and machinery.
Chapter 39, Laws of 1975 Special Transitional Aid	Allowed school districts receiving transitional aid provided in Chapter 90 for 1973-74 and 1974-75 to be eligible for special transitional aid in 1975-76 and 1976-77 if they remained eligible.
Chapter 39, Laws of 1975 Cost Controls at 9.5 percent	Limited the budgeted shared cost per pupil increase to 9½ percent over the prior year's shared cost.
Chapter 220, Laws of 1976 Transfer Program	Weighted intradistrict transfers to promote cultural and racial integration at 1.2 student memberships.
Chapter 29, Laws of 1977 Membership Count for EEN Children	Counted students as 0.5, 0.75, or 0.375 pupil, depending upon time enrolled in local district and county class.

SUMMARY OF ADVERSELY MODIFICATIONS MADE TO THE GENERAL AIDS FORMULA LAW (continued)

Law	Modification
Chapter 29, Laws of 1977 Special Adjustment Aids	Based the eligibility for state aids adjustment in part on the percentage of increase in the equalized valuation per student being less than the primary guarantee and its secondary shared cost being less than 20 percent of its primary shared cost.
Chapter 418. Laws of 1977 Declining Enrollment Increment	Membership for aid purposes includes a declining enrollment increment for 1978-79.
Chapter 418, Laws of 1977 Supplemental Aid for Tax Incremental Financing Districts	Created supplemental aid for districts whose tax incremental finance districts experienced growth that created a difference between the amount of general sate aid calculated under the current general state aid formula and the amount of state aid a district would receive if the valuation of the TIP district were frozen at the time of its creation.
Chapter 34, Laws of 1979 Reimbursement for Excess Tax Base Loss	Created reimbursement to school districts receiving no state aid and experiencing a personal property valuation reduction in excess of 5.4 percent of total valuation.
Chapter 34, Laws of 1979 State Aid for Tuition Students	Paid state aid to school districts of residence for tuition students as though they were enrolled in the district of residence.
Chapter 20, Laws of 1981 Special Adjustment Aid for 1982-83	Increased 1982-83 state aid to 91 percent of 1981-82 state aid if the district would receive less than that figure.
Chapter 317, Laws of 1981 Public Law 874 Funds as Deductible Receipts	Considered federal funds received under P.L. 874 as deductible receipts, with 50 percent deductible in 1981-82, 75 percent deductible in 1982-83, and 100 percent deductible in 1983-84.

RECOMMENDATIONS FOR THE EIGHTIES

1. Recreate a commission to make an annual review of school districts' costs, equalized valuations, and enrollments and to recommend changes in the guaranteed valuations to the legislature that will meet the needs of school districts for the coming year.

The Biennial Aids Adjustment Committee, created in 1949, functioned in this role until 1965, when it was disbanded by legislative action. On one of its final acts, the 1964 Biennial Aids Adjustment Committee recommended that the formula be modified so that adjustments would be automatic. The formula would be geared to maintain a statewide average operating tax levy rate. As costs increased, the guaranteed valuation would automatically be adjusted to maintain a statewide operating levy rate. With an automatic adjustment, the committee would no longer have been needed; thus, it was recommended that the committee be disbanded.

The legislature did not accept the guaranteed valuation being tied to state average operating levy rates but accepted the recommendation to eliminate the Biennial Aids Adjustment Committee.

It then created the education committee of the Legislative Council to function in the capacity of the Biennial Aids Adjustment Committee. It lasted until the mid seventies, and in 1979 it also was eliminated.

The equalization formula today is difficult to understand. Legislators depend upon computerized projections provided by the Department of Public Instruction to envision the amount of state aid to be received by school districts in their legislative district under each proposal and act accordingly.

No effort has been made to ascertain the needs of education in the elementary and secondary schools for the entire state. It is time to have those needs reviewed on an annual basis (inasmuch as guaranteed valuations can now be established annually) and to provide the legislature with accurate recommendations from a committee made up of various educational organization representatives.

2. Return the general state aid equalization formula to its original design, and maintain it as a simple formula.

The original formula operated with four factors: student enrollments, school costs, equalized valuations, and guaranteed valuations. These factors have been modified by legislative action until the formula has become very complicated to administer and understand.

These modifications have adversely impacted upon the formula's unique equalization principle.

One result is that legislators are expected to determine the amount of state funding needed by local school districts by using a state aid formula most of them do not thoroughly understand. The original design was not complicated; let's return to a simple, easily understandable formula.

3. Review student membership counts in general state aid formula.

From 1949 to 1959, the average daily attendance of the prior year was used in the formula to count students. Average daily attendance was defined as the sum of the days (aggregate days attendance) of all pupils were present when school was actually in session. From 1959 to 1965 average daily membership was used to count students. Average daily membership was defined as the sum of the days all people were present or absent when school was actually in session.

Since 1965, the third Friday in September has been used to count students in the formula. Third Friday in September was defined as the number of students who were members of the school district as of the third Friday in September.

One can present a case for any of the three methods of counting. Average daily attendance worked well in the fifties; average daily membership appeared appropriate in the early sixties; and the sizable increases in enrollment experienced by most districts in the late sixties and early seventies made a current count appropriate for that period.

Conditions in school districts have changed in the mid seventies and early eighties, and now might be a good time to look at student count as it is used in the equalization formula for the eighties.

The 1947 education committee recommended that student count be based on average daily attendance which provided for counting only those students in attendance, which was clearly an incentive for school districts to keep students in school in order to be counted for the payment of state aid.

The 1959 legislature amended the count to average daily membership which allowed school districts to count days absent along with days present in the formula. Proponents of this action felt that the cost remained the same whether a student attended or was absent.

The 1965 legislative action placed the count on a current basis on a given day in the year because districts were experiencing large increases in student enrollments.

4. Consider putting all state aid into a single program.

The Committee on the Improvement of the Educational Program recommended in 1949 that the legislature create a single, simple formula for the distribution of state aids to local school districts.

It recognized the need to provide special education programs and transportation for students, and it recommended categorical aid for these two services. More importantly, however, it recommended that a single aid program be established sometime in the future. The pros and cons of this suggestion should be reviewed in depth to ascertain if a full equalization program is appropriate for the eighties.

APPENDIX A:

Tax Increment Law

Chapter 105, Laws of 1975, was passed by the Wisconsin Legislature in November 1975. This act provided for a funding arrangement in which cities or villages shared redevelopment costs with overlying tax jurisdictions (counties, school districts) and the state. The act permited cities and villages to create tax incremental districts out of areas within their municipalities that had deteriorated and needed attention.

Upon receiving approval from the state, a tax incremental base could be established, based on the aggregate equalized value of all taxable property in the tax incremental district, on the date of creation. Any subsequent growth in the TID was then "captured"; as property values increased, levies on this growth represented positive increments used for financing redevelopment. These increments were generated not only for municipal city or village taxes where the TID was located as well as from overlying jurisdictions, counties, and school districts.

As originally created in 1975, Section 66.46 contained a provision which returned to school districts, from a special appropriation, the exact amount of the school district levy withheld as the tax increment due to TID. As a result of that provision, the monies anticipated from the school tax levy were made wholly from another source, leaving no viable impact on the school district's finances.

THE TAX INCREMENT CALCULATION

The responsibility for calculating the amount of the tax increment rested with the municipal clerk of the municipality in which the TID was located. For example:

Equalized value of city	$87,995,675.00
Equalized value - TID growth	82,755,175.00
Tax levy of city	1,096,017.50

Step 1: Calculate interim tax rate

$$\text{Interim tax rate} = \frac{\text{Tax levy of city}}{\text{Equalized value - TID growth}}$$

$$\frac{\$1,096,017.50}{82,755.175.00} = .01324 \text{ tax rate}$$

Step 2: Calculate Potential Tax Collection

Potential tax = Levy rate x Equalized value

.01324 x $87,995,675 = $1,165,062.74

Step 3: Calculate tax increment

Tax increment = Potential tax - Tax levy of city

$1,165,062.74 - $1,096,017.50 = $69,045.24

The tax increment of $69,045.24 would be added to the school district levy as certified by the city. Under this provision, the school district recovered the loss of levy created by establishing a tax incremental district.

Chapter 418, Laws of 1977, repealed the reimbursement procedure directly relating to the loss of levy and created a state aids payment called supplemental aid (section 121.085 of the Wisconsin statutes).

Supplemental aid was figured through the general state aids formula by:

Step #1: Calculating the general aid using the equalized valuation of the school district minus the TID growth.

Step #2: Recalculating the general aid using the full equalized valuation of the district.

Step #3: Subtracting Step #2 from Step #1.

Chapter 418 adversely impacted upon school districts. Supplemental aids were computed (as was general state aid) using the prior year's equalized valuation. Therefore, no supplemental aid was paid to a school district the first year the TID was created. (Provisions in the original act would have provided state funds beginning in the first year.) Supplemental aids had no direct relationship with the loss of levy experienced by a school district from creating a TID; school districts that did not receive general aid also did not receive supplemental aid.

Section 121.085(1M) of Chapter 20, Laws of 1981, had an even greater impact upon school districts.

> "No aid under this section (supplemental state aid) may be paid to any school district unless a city or village located within the school district verifies to the Department of Revenue that it has committed and expended financial resources specifically to development of a tax incremental district before July 1, 1981.
>
> Supplemental aid under section 121.085 continues to be available for those school districts who have had tax incremental districts created within the school districts prior to July 1, 1981.

This was another example of a special interest group attaching an appendage to the general aid formula; the original act reimbursed the school district for loss of levy. It was then amended so that supplemental aid was determined through the general aid formula. This just was one of many occasions that complicated the formula made it difficult to keep abreast of the changes.

APPENDIX B:

Buse v. Smith, 74 Wis. 2d 550, 247 N.W. 2d 141 (1976)

The Wisconsin Supreme Court declared that the negative-aid provisions of section 121.07 and 121.08 of the Wisconsin Statutes were unconstitutional, violating Article VIII, Section 1 of the Wisconsin Constitution.

> Section 121.08 State Aids; Payment by certain districts.
>
> (2) The school district shall pay to the state the sum of pars. (a) and (b).
>
> a. Beginning with the 1977-78 school year, the amount by which the school district equalized valuation exceeds the primary guaranteed valuation, multiplied by the primary required levy rate.
>
> b. The amount by which the school district equalized valuation exceeds the secondary guaranteed valuation, multiplied by the secondary required levy rate.

Section 121.08(3)

> (3) If the net amount computed under subs. (1) and (2) results in a negative sum, that amount shall constitute the negative aid payment due. The negative aid payment due shall be certified to the school district by the state superintendent on or before March 15.
>
> The school district treasurer shall transmit the amount certified to the state treasurer on or before May 15. The state treasurer shall credit this amount to the negative aid payment appropriation under s. 20.255(1)(k). No negative aid payment shall be required under this subsection prior to the 1976-77 school year.

Chapter 90, Laws of 1973, created section 121.08(2) and (3) of the Wisconsin Statutes to implement the Doyle Task Force recommendation that every school district be guaranteed the same wealth base as measured by property value for each pupil.

All districts, regardless of their local property value, could raise equal education dollars with equal tax efforts.

Chapter 90 established a power equalization formula which required all districts to determine their required levy rate using the guaranteed valuation as the divisor. This rate multiplied by the equalized valuation in high valuation districts generated funds in excess of their costs; these were to be sent to th state. These funds were called negative aids, and resulted in all school districts having the same wealth base.

The Wisconsin State Supreme Court agreed that the state had the power to levy a statewide property tax to support education; in fact, some form of such a tax was in effect in Wisconsin from 1885 to 1933. However, the current statutory scheme vests the power of property taxation in local districts and the taxes which they impose pursuant to this delegated power are local taxes, not state taxes.

The legislature chose not to establish a statewide tax for elementary and secondary education, recognizing that Article X, section 4, gave municipalities the power to raise taxes to fund public schools and that local control should not be diminished.

The State Supreme Court ruled that funds paid to the state as negative-aids could only be derived from taxes levied by local school districts. The property tax was locally levied, assessed, and collected. For the last 128 years, it had been locally spent for education. It was, then, a local tax, not a state tax.

As such, the uniformity clause required that the tax not only be uniform within the taxing district, but also that it be used for local taxing district purposes.

The court ruled that the negative aid tax, if viewed as a local tax, was unconstitutional because it mandated a local tax that was not used for local public purposes.

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